



ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

General Information

Mayoral committee

Executive Mayor	N.G Hlongwane
Speaker	M.P Gqelosha
Chief whip	D.E Tshabalala

Members of the mayoral committee

MMC- Waste Management and Landfill Sites	V.M Godoli
MMC- Housing	M.L Khubeka
MMC- Public Safety	W.V Mcera
MMC- Corporate Services	K. Ntombela
MMC- Public Transport Roads and Public Works	S.E Pitso
MMC- Sports, Recreation, Arts and Culture	S.J Radebe
MMC- Health and Social Development	K.J.M Ranake
MMC- Finance	M.T Ronyuza
MMC- Infrastructure, Electricity, Water and Sanitation	N.R Thulo
MMC- Local Economic Development, Tourism and Development Planning	K. Malindi

Municipal Manager

Samuel S Shabalala

Acting Chief Financial Officer (CFO)

Pontsho Matlala

Grading of local authority

Grade 11

Auditors

Auditor-General of South Africa

Primary banking institution

ABSA Bank Limited

Registered office

Cnr Frikkie Meyer Boulevard & Klasie Havenga Street
Vanderbijlpark
1900

Business address

Cnr Frikkie Meyer Boulevard & Klasie Havenga Street
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Postal address

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Website

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Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

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Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
DMM	Deputy Municipal Manager
AFS	Annual Financial Statements
PAYE	Pay as you earn
UIF	Unemployment Insurance Fund

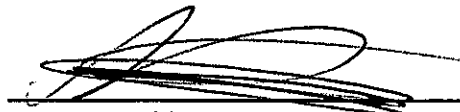
Emfuleni Local Municipality

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Accounting Officer's responsibilities and approval

I am responsible for the preparation of these financial statements which are set out on pages 4 to 70, in terms the Local Government: Municipal Finance Management Act, 2003 (Act no. 56 of 2003) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of councillors as disclosed in Note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers act, 1998 (Act no. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.



Accounting Officer
S.S Shabalala

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Statement of financial position

	Note(s)	2012 R	2011 R
Assets			
Current assets			
Cash and cash equivalents	2	12,857,572	18,497,047
Trade and trade receivables from exchange transactions	3	292,068,214	284,212,450
Trade and other receivables from non-exchange transactions	4	164,719,708	40,230,801
Inventories	5	20,536,147	19,886,954
Investments	6	114,928,212	106,269,517
Value added tax receivable	7	71,033,304	21,649,624
		676,143,157	490,746,393
Non-current assets			
Investments	6	-	55,000
Property, plant and equipment	8	9,623,766,872	9,938,976,815
Investment property	40	976,667,000	975,732,000
Intangible assets	43	7,782,772	12,833,149
		10,608,216,644	10,927,596,964
Non-current assets held for sale and assets of disposal groups		16,745	16,745
Total assets		11,284,376,546	11,418,360,102
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	9	682,549,674	507,406,643
Unspent conditional grants and receipts	11	21,339,251	61,248,661
Borrowings	12	5,268,984	6,858,622
Finance lease liability	13	23,161,407	62,193,495
		732,319,316	637,707,421
Non-current liabilities			
Consumer deposits	10	33,537,913	31,186,399
Borrowings	12	26,920,992	32,172,176
Finance lease liability	13	1,036,786	36,162,853
Provisions	14	300,329,377	247,701,037
		361,825,068	347,222,465
Total liabilities		1,094,144,384	984,929,886
Net assets		10,190,232,162	10,433,430,216
Net assets			
Reserves			
Insurance reserve		29,516,971	19,488,684
Accumulated surplus		10,160,715,191	10,413,941,532
Total net assets		10,190,232,162	10,433,430,216

Emfuleni Local Municipality

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Statement of Financial Performance

	Note(s)	2012 R	2011 R
Revenue			
Property rates	15	351,966,028	310,197,555
Service charges	16	2,201,818,620	1,876,955,323
Rental of facilities and equipment	17	11,439,141	8,257,633
Interest received - investment	18	37,669,136	50,278,298
Dividends received	18	9,532	5,756
Fines	19	36,769,542	17,371,500
Licenses and permits	21	13,008	8,390
Government grants & subsidies	20	849,578,486	707,725,614
Other income	21	92,389,784	116,497,439
Total revenue		3,581,653,277	3,087,297,508
Expenditure			
Personnel costs	23	(722,713,867)	(643,426,687)
Remuneration of councillors	24	(25,133,151)	(22,931,137)
Depreciation and amortisation		(504,841,902)	(490,202,396)
Repairs and maintenance		(118,559,434)	(121,213,246)
Finance costs		(19,106,887)	(33,519,489)
Debt impairment		(314,129,108)	(329,956,165)
Bulk purchases	25	(1,574,330,647)	(1,266,006,637)
Contracted services		(83,289,231)	(47,257,711)
Grants and subsidies paid		(18,239,072)	(5,727,320)
Impairment loss/ reversal of impairments		(5,027,629)	(224,632)
Loss on disposal of assets		-	(2,956,979)
General expenses	26	(430,103,556)	(363,484,929)
Total expenditure		(3,815,474,484)	(3,326,907,328)
(Loss) gain on disposal of assets and liabilities	22	(3,610,330)	408,574
Fair value adjustments		4,474,131	109,470,117
Deficit for the year		(232,957,406)	(129,731,129)

Emfuleni Local Municipality

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Statement of changes in net assets

	Self-insurance reserve R	Accumulated surplus R	Total net assets R
Opening balance as previously reported	8,058,817	8,349,217,552	8,357,276,369
Adjustments			
Prior year adjustments	-	2,194,455,109	2,194,455,109
Balance at 01 July 2010 as restated	8,058,817	10,543,672,661	10,551,731,478
Changes in net assets			
Surplus for the year	-	(129,731,129)	(129,731,129)
Transfers/contributions	11,429,867	-	11,429,867
Total changes	11,429,867	(129,731,129)	(118,301,262)
Opening balance as previously reported	19,488,684	10,318,094,640	10,337,583,324
Adjustments			
Prior year adjustments	-	85,606,244	85,606,244
Balance at 01 July 2011 as restated	19,488,684	10,403,700,884	10,423,189,568
Changes in net assets			
Surplus for the year	-	(232,957,406)	(232,957,406)
Transfers/contribution	10,028,287	(10,028,287)	-
Total changes	10,028,287	(242,985,693)	(232,957,406)
Balance at 30 June 2012	29,516,971	10,160,715,191	10,190,232,162

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Cash flow statement

	Note(s)	2012 R	2011 R
Cash flows from operating activities			
Receipts			
Sale of goods and services		1,830,450,068	1,656,055,020
Grants		809,669,076	691,642,106
Interest income		37,669,136	50,278,298
Dividends received		9,532	5,756
Other receipts		368,088,595	135,790,584
		<u>3,045,886,407</u>	<u>2,533,771,764</u>
Payments			
Employee costs		(701,630,851)	(634,817,474)
Suppliers		(2,034,477,402)	(1,497,261,367)
Finance costs		(19,106,887)	(33,519,489)
Other payments		(18,239,070)	(71,908,023)
		<u>(2,773,454,210)</u>	<u>(2,237,506,353)</u>
Net cash flows from operating activities	27	272,432,197	296,265,411
Cash flows from investing activities			
Purchase of property, plant and equipment		(190,688,934)	(273,393,732)
Proceeds from sale of property, plant and equipment		-	7,231,758
Purchase of other intangible assets		(131,578)	(164,066)
(Increase)/decrease in non current investment		55,000	48,598,485
Net cash flows from investing activities		(190,765,512)	(217,727,555)
Cash flows from financing activities			
Repayment of borrowings		(6,840,822)	(60,464,443)
Movement in consumer deposits		2,351,514	1,786,615
Raising/(repayment) of finance lease liability		(74,158,155)	(37,189,499)
Net cash flows from financing activities		(78,647,463)	(95,867,327)
Net increase/(decrease) in cash and cash equivalents		3,019,222	(17,329,471)
Cash and cash equivalents at the beginning of the year		124,766,564	142,103,594
Cash and cash equivalents at the end of the year	28	127,785,784	124,766,564

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting policies

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. Amounts are presented in South African Rand.

The annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next twelve months.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in the accounting policies are explained in the relevant policy.

1.1 Significant judgements and sources of estimation

The preparation of annual financial statements in conformity with standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates. Significant judgements and underlying assumptions are reviewed on a constant basis. Significant judgements include:

Trade receivables and other receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset

The impairment for trade receivables and other receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

Available-for-sale financial assets

The municipality follows the guidance of GRAP 104 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Allowance for slow moving, damaged and obsolete stock

An allowance to write stock down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting policies

1.1 Significant judgements and sources of estimation (continued)

Impairment testing

The recoverable amount of cash generating units and recoverable amount/ recoverable service amount of individual assets have been determined based on the higher of value in use calculations and fair values less cost to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the fair value assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events and changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest value for which identifiable cashflows are largely independent of cashflows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cashflows for each group of assets. Expected future cashflows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. For non-cash generating assets, the municipality considers the depreciation replacement cost as evidence of the recoverable service amount.

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are rehabilitated over years and assumptions were made that the areas may stay the same in size for a number of years. The increase in the restoration provision due to passage of time is recognised as borrowing cost in the statement of financial performance.

The estimates are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money.

Contingent liabilities

Contingencies disclosed in the current year required estimates and judgements. Additional disclosure of these contingent liabilities is included in the relevant note.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions.

Effective interest rate

The municipality used the prime interest rate plus 2% to discount future cash flows as at 30 June.

Allowance for credit losses

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Self- insurance

A reserve is held to settle future claims against the municipality. Funds are transferred based on external risk factor and premium determined

Emfuleni Local Municipality

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Accounting policies

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality and the cost or fair value of the investment property can be measured reliably.

Investment property is recognised at fair value. The fair value of investment property reflects market conditions at the reporting date.

Fair value is determined by a certified property valuer on an annual basis.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, or for administrative purposes and are expected to be used during more than one accounting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment are initially measured at:

- Fair value at date of acquisition less accumulated depreciation where assets have been acquired by grant or donation and for assets that were newly identified through formal asset verification procedures for which cost records are not available or not reliable at date of acquisition. Fair value is determined with consideration of market value, other valuation techniques and Directive 7 issued by the Accounting Standards Board.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and standby equipment which are expected to be used for more than one accounting period are included in property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Depreciation is calculated on the depreciable amount (cost less residual value), using the straight line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:

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Accounting policies

1.3 Property, plant and equipment (continued)

Item	Average useful life
Infrastructure	
• Roads and paving	20
• Pedestrian Mall	30
• Electricity	50-60
• Water	15-20
• Sewerage	15-20
• Housing	30
Community assets	
• Buildings	30
• Recreational Facilities	20-30
• Security	5
Other assets	
• Buildings	30
• Specialist vehicles	10
• Other vehicles	5
• Office equipment	3-7
• Furniture and fittings	7-10
• Watercraft	15
• Bins and containers	5
• Specialised plant and equipment	10-15
• Other items of plant and equipment	2-5
• Landfill sites	30-55
• Computer software	3-5

For tangible assets, such as property, plant and equipment or investment property, an asset only has a residual value when the useful life of the asset (the period the asset is used or available for use) is shorter than the economic life of the asset (the period the asset is used or available for use by all users or owners of the asset). As the municipality plans to use the assets for the entire economic lives, the residual value may be negligible or even zero.

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated, owing to the uncertainty regarding their estimated useful lives. The municipality has taken advantage of the transitional period of three years for the implementation of GRAP 103.

Land is not depreciated as it is deemed to have an indefinite life.

The residual value, the useful life and depreciation method of each asset are reviewed at each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The lifespan per component is as per appendix B (1)

The depreciation charge for each period is recognised in surplus or deficit, unless it is included in the carrying amount of another asset.

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting policies

1.4 Intangible assets (continued)

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

If an intangible asset is acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

For intangible assets with a finite useful life, the residual value is always deemed to be zero unless:

(a) A third party has committed to purchase the asset at the end of its useful life;

(b) There is an active market for the asset and;

- (i) the residual value can be determined by reference to that market; and
- (ii) it is probable that such a market will exist at the end of the assets useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life, after it was classified as indefinite, is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale, or
- there is an intention to complete and use or sell it, or
- there is an ability to use or sell it, or
- it will generate probable future economic benefits or service potential, or
- there are available technical, financial and other resources to complete the development and to use or sell the asset, and
- the expenditure attributable to the asset during its development can be measured reliably.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, internally generated	3-5 years
Computer software, other	3-5 years
Intangible assets under development	3-5 years

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Accounting policies

1.5 Financial instruments

Classification

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an economic entity considers the substance of the contract and not just the legal form.

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<u>Class</u>	<u>Category</u>
Cash and cash equivalents	Loans and receivables
Trade and other receivables from non-exchange transactions	Loans and receivables
Consumer debtors	Loans and receivables
Long term receivables	Loans and receivables
Investments	Held to maturity

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<u>Class</u>	<u>Category</u>
Borrowings	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition and measurement

Financial assets and financial liabilities are initially recognised at fair value. Where an economic entity subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

Financial assets and financial liabilities are subsequently measured either at amortised cost.

- an investment in residual interest for which fair value can be measured reliably; and

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an economic entity modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

A financial asset and financial liability are not offset in the statement of financial position unless a legal right of set-off exists and the parties intend to settle on a net basis.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting policies

1.5 Financial instruments (continued)

Impairment of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

The municipality derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the municipality is recognised as a separate asset or liability.

Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables and are measured at amortised cost.

Trade and other receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. These are initially and subsequently recorded at fair value.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting policies

1.5 Financial instruments (continued)

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

Held to maturity

The municipality considers evidence of impairment for loans and receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investments are assessed for specific impairment.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed, shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

All individually significant loans and receivables and held-to-maturity investments found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables and held-to-maturity investments that are not individually significant are collectively assessed for impairment by grouping together loans and receivables and held-to-maturity investments with similar risk characteristics.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- a gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- for financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, through the amortisation process.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Emfuleni Local Municipality

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Accounting policies

1.6 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Inventories

Inventories include consumable stores, maintenance materials, spare parts for plant and equipment, work in progress and land and property held for sale.

Inventories are initially measured at cost, except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

In general, the basis of allocating cost to inventory items is the first-in, first-out method (F.I.F.O)

The municipality has disclosed the net realisable value of water stock as at year end.

Redundant and slow moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

Consumables are written down with regard to their age, condition and utility.

Unsold properties for the purpose of resale are accounted for as inventory. The fair value was determined by the appointed Municipal Valuer per the Valuation Roll that came into effect on 1 July 2011. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if the costs occur frequently and are separately identifiable.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting policies

1.8 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Other post retirement obligations

The municipality provides post-retirement health care benefits to retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

Long term employee benefits

The municipality provides long service awards. Awards are accrued over the period of employment. Independent qualified actuaries carry out valuations of these awards.

1.9 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting policies

1.9 Provisions and contingencies (continued)

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition, contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 33.

1.10 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the asset recorded, less any liability recognised based on unfulfilled conditions

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by:

- surveys of work performed;
- services performed to date as a percentage of total services to be performed; and
- the proportion that costs incurred to date bear to the total estimated costs of the transaction

Revenue arising from application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting policies

1.10 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Interest is recognised in surplus or deficit using the effective interest rate method.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.11 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses are recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting policies

1.11 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme, may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.12 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.13 Borrowing costs

All the other borrowing costs are recognized as an expense in the period in which they are incurred.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset, less any investment income on the temporary investment of those borrowings.
- weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on impairment of assets. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting policies

1.13 Borrowing costs (continued)

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale is complete

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the municipality ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.14 Self-insurance reserve

A self-insurance reserve (SIR) covers claims that may occur, subject to external insurance policy terms and conditions. Premiums are charged to the respective services taking into account claims history, the insured value of property, plant and equipment and number of fleet vehicles.

Contributions by the departments to the self-insurance reserve are transferred from the contribution expenditure account of the department to the self insurance reserve according to amounts budgeted for in the operating budget.

Claim payments received from external insurers are utilised in the calculation of gain or loss on the scrapping of damaged assets and are recorded in the statements of financial performance.

Claim payments received in respect of repairs, damages and/or losses to assets are receipted to the insurance cost centre income account and are then transferred from the insurance cost centre expenditure account to the insurance reserve where it is reflected as income.

Repair and replacement costs not fully covered by external insurance are paid from the insurance cost centre expenditure account that is then financed or reimbursed by a transfer from the self-insurance reserve to the insurance cost centre income account. The repair and replacement cost is reflected as expense in the self-insurance reserve.

1.15 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason of reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Where there has been a change in the accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.16 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting policies

1.18 Irregular expenditure

Irregular expenditure is expenditure, other than unauthorised expenditure, incurred in contravention of, or that is not in accordance with a requirement of any applicable legislation.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by National Treasury or the relevant authority, is recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account is created if such a person is liable in law. Immediate steps are thereafter taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register is updated accordingly.

1.19 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of Generally Recognised Accounting Practice (GRAP).

1.20 Conditional grants and receipts

The annual financial statements and the budget are on the same basis of accounting, therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements, Annexure D.

1.21 Events after reporting date

Events after the reporting date are defined as favourable and unfavourable events that occur between the reporting date and the date the annual financial statements are authorised for issue.

The date of authorisation for issue is the date on which the Accounting Officer signs off the annual financial statements.

Two types of events can be identified

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date): and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date)

1.22 Related parties

Related parties are considered to be related, if one party has the ability to control the other party or exercise significant influence over the other party, in making financial and operating decisions, or if the related party entity and another entity are subject to common control.

Related parties include:

- Key management personnel, close members of the family of key management personnel and councillors.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Key management personnel include all directors or members of the municipal council of the reporting entity where that council has jurisdiction. The council, together with the Municipal Manager and Section 57 employees, has authority and responsibility to plan and control the activities of the entity, to manage the resources of the entity and for the overall achievement of entity objectives. Therefore, key management personnel will include the Municipal Manager, Deputy Municipal Managers and Chief Financial Officer of the reporting entity.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the annual financial statements

	2012 R	2011 R
2. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	9,819	9,819
Bank balances	12,847,753	18,487,228
	12,857,572	18,497,047

The primary banking institution is ABSA bank, whilst the following secondary banking institutions are also applicable:

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2012	30 June 2011	30 June 2010	30 June 2012	30 June 2011	30 June 2010
ABSA Bank - Current account - 530-000-0087	13,797,520	16,595,487	10,809,727	11,626,726	16,495,105	6,190,788
ABSA Bank - Salary account - 405-774-9059	451,310	721,664	686,202	451,310	492,161	233,483
First National Bank - Traffic fines - 620-723-53396	115,607	1,220,330	166,928	115,607	1,220,330	562,580
ABSA bank - Traffic fines - 407-683-0782	10,000	279,632	-	10,000	279,632	-
Standard bank - Current - 420-502-084	88,153	-	-	88,153	-	-
Nedbank - Current - 101-065-4888	555,957	-	-	555,957	-	-
Total	15,018,547	18,817,113	11,662,857	12,847,753	18,487,228	6,986,851

3. Trade and other receivables from exchange transactions

Gross balances

Electricity	308,877,681	222,808,032
Water	869,655,140	683,919,380
Sewerage	402,926,902	329,863,276
Refuse	218,176,872	182,559,052
	1,799,636,595	1,419,149,740

Less: provision for debt impairment

Electricity	(151,987,900)	(126,922,798)
Water	(785,690,077)	(572,604,177)
Sewerage	(366,153,668)	(277,014,575)
Refuse	(203,736,736)	(158,395,740)
	(1,507,568,381)	(1,134,937,290)

Net balance

Electricity	156,889,781	95,885,234
Water	83,965,063	111,315,203
Sewerage	36,773,234	52,848,701
Refuse	14,440,136	24,163,312
	292,068,214	284,212,450

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the annual financial statements

	2012 R	2011 R
3. Trade and other receivables from exchange transactions (continued)		
Water, electricity, sewerage and refuse		
Current (0 -30 days)	129,285,907	107,747,069
31 - 60 days	63,569,423	46,476,083
61 - 90 days	47,540,965	37,722,373
91 days +	1,559,240,300	1,227,204,215
	1,799,636,595	1,419,149,740
Reconciliation of debt impairment provision		
Balance at beginning of the year	1,134,937,290	1,152,912,123
Contributions to provision	249,903,689	329,956,165
Debt written off against provision	122,727,402	(347,930,998)
	1,507,568,381	1,134,937,290

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Although credit quality can be assessed, the municipality did not apply any method to evaluate the credit quality.

Doubtful debt

Government accounts - 0% of the total outstanding amount

Indigent accounts - 0% of outstanding amount

Sundry accounts - 100% between 91 and 180 days

Business/industrial - 100% between 91 and 180 days

All other accounts:

Outstanding amounts between 91 and 180 days

Collectable amount based on payment ratio for the last 12 months per ward

Bad debt

Government accounts - 0% of the total outstanding amount

Indigent accounts - 100% of outstanding amount

Sundry accounts - 100% between 181 and more days

Business/industrial - 100% between 181 and more days

All other accounts:

Outstanding amounts between 91 and 180 days

Collectable amount based on payment ratio for the last 12 months per ward

2011/2012	Billing	Payments	Balance	Discounting
Electricity	52,270,969	(1,403,636)	50,867,333	93,029
Electricity(manual billing)	84,493,325	-	84,493,325	-
Water	54,044,210	(341,880)	53,702,330	97,468
Sewerage	16,677,550	(111,329)	16,566,220	30,036

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the annual financial statements

			2012 R	2011 R
3. Trade and other receivables from exchange transactions (continued)				
Refuse	8,054,330	(43,939)	8,010,392	14,520
Sundry	2,045,788	(47,236)	1,998,552	3,687
	217,586,172	(1,948,020)	215,638,152	238,740
2010/2011	Billing	Payments	Balance	Discounting
Electricity	43,082,315	(260,620)	42,821,694	116,147
Water	37,917,451	(50,957)	37,866,494	102,706
Sewerage	14,985,508	(15,017)	14,970,491	40,605
Refuse	7,467,585	(6,408)	7,461,177	20,237
Sundry	4,043,976	(14,179)	4,029,797	10,930
	107,496,835	(347,181)	107,149,653	290,625
4. Trade and other receivables from non-exchange transactions				
Property rates			336,777,691	173,484,428
Impairment property rates			(268,607,232)	(237,220,867)
Other receivables - billing			372,081,488	368,854,409
Impairment other receivables - billing			(338,609,435)	(305,776,781)
Other debtors			60,681,780	40,889,612
Grant debtors			2,395,416	-
			164,719,708	40,230,801
Property rates				
Current (0-30 days)			25,751,986	23,569,542
31-60 days			9,338,630	8,583,617
61-90 days			7,546,094	7,418,708
91-120 days			286,967,584	252,706,871
			329,604,294	292,278,738
2011/2012	Billing	Payments	Balance	Discounting
Property rates	29,492,948	(488,348)	29,004,600	52,670
2010/2011	Billing	Payments	Balance	Discounting
Property rates	26,070,250	(43,188)	26,027,062	70,594
5. Inventories				
Consumable stores			20,084,971	19,489,422
Water			451,176	397,532
			20,536,147	19,886,954
Disclosure Inventory				
Council approved a stock loss in respect of fuel to an amount of R588 675 for the financial year ended 30 June 2012.				
6. Investments				
Held to maturity				
Call accounts			114,928,212	106,324,517
Non-current assets				
Held to maturity			-	55,000

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the annual financial statements

	2012 R	2011 R
6. Investments (continued)		
Current assets		
Call account deposits	114,928,212	106,269,517
	114,928,212	106,324,517

Listed securities

For debt securities classified as at fair value through surplus or deficit, the maximum exposure to credit risk at the reporting date is the carrying amount.

Interest rates and periods of investments are stipulated in the investment register

Invested with	01 July 2011	Invested	Interest capitalised	Withdrawn & charges	30 June 2012
ABSA-9122309604 Retention	145,160	-	-	-	145,160
ABSA-9129312474 Retention	644,895	-	-	(643,909)	986
ABSA-9086195975 Retention	176,369	-	-	-	176,369
ABSA-4074200632 Retention	239,867	-	2,416	-	242,283
ABSA-9208236189 Gaurantee post off	421,079	-	13,712	-	434,791
ABSA-4075637624 MIG Roll-over	554,493	-	21,943	(576,436)	-
ABSA-4075657501 Sport grant	1,159,321	(661,104)	61,915	-	560,132
ABSA-4075657501 Retention	-	661,104	-	-	661,104
ABSA-4077040625 MIG Roll-over	21,852,322	-	401,412	(22,253,734)	-
ABSA-4077040730 MIG Roll-over	961,197	-	78,297	(1,039,494)	-
ABSA-4077657402 Retention	478,291	-	9,681	-	487,972
ABSA-4077657525 DACE Roll-over	502,161	-	11,250	(187,895)	325,516
ABSA-4077657478 Retention	44,580	-	242	-	44,822
ABSA-4077657567 Retention	1,171	-	1	-	1,172
STD Bank-028606817004 MIG Roll-over	19,223	-	655	(19,878)	-
STD Bank-028606817#21 Retention	285,254	-	-	-	285,254
STD Bank-028606817#27 Retention	441,810	-	-	-	441,810
STD Bank-028606817#34 Sport grant	47,664	-	-	(47,664)	-
STD Bank-028606817#35 Retention	311,217	-	-	-	311,217
STD Bank-028606817#36 Retention	171,000	-	-	-	171,000
STD Bank-028606817#42 Retention	102,064	-	-	-	102,064
STD Bank-028606817#43 Retention	500,000	-	-	(359,500)	140,500
STD Bank-028606817#47 Library grant	4,075,760	(2,344,691)	187,801	(1,748,609)	170,261
STD Bank-028606817#47 Retention	-	2,344,691	-	-	2,344,691
STD Bank-028606817#53 Equitable share	225,125	-	6,295	(231,420)	-
STD Bank-028606817#54#58 DBSA ceded	10,823,974	-	665,674	-	11,489,648
STD Bank-028606817#55 Retention	1,338,211	-	17,449	(884,508)	471,152
STD Bank-028606817#56 Social dev. grant	318,709	-	3,307	(322,016)	-
STD Bank-028606817#57 Retention	-	1,250,000	55,563	(1,115,751)	189,812
Investec-1400192509500 Retention	-	36,108,925	-	-	36,108,925
Investec-1400192509500 Restructuring grant	9,958,645	-	-	(9,958,645)	-
Investec-1400192509500 Regional sewer scheme	4,623,971	(4,623,971)	-	-	-
Investec-1400192509500 Regional sewer scheme	-	10,710,567	-	(9,575,899)	1,134,668
Investec-1400192509500 HIV Grant	37,545	(37,545)	-	-	-
Investec-1400192509500 HIV Grant 11-12	-	542,160	-	(542,160)	-
Investec-1400192509500 Health grant	72,480	(72,480)	-	-	-
Investec-1400192509500 Bontle ke botho	743,368	3,161	-	-	746,529
Investec-1400192509500 NEP 10-11	673,525	(673,525)	-	-	-
Investec-1400192509500 NEP 11-12	-	28,256,000	-	(28,256,000)	-
Investec-1400192509500 MSIG	6,002	(6,002)	-	-	-
Investec-1400192509500 MSIG 11-12	-	800,000	-	(800,000)	-

Emfuleni Local Municipality

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Notes to the annual financial statements

				2012 R	2011 R
6. Investments (continued)					
Investec-1400192509500 MSIG Sedibeng	50,000	-	-	-	50,000
Investec-1400192509500 MIG 0910	30,128	13,784,212	-	(13,814,340)	-
Investec-1400192509500 MIG 11-12	-	152,498,777	-	(152,498,777)	-
Investec-1400192509500 DACE Roll-over	225,434	177,678	-	-	403,112
Investec-1400192509500 DACE 1112	-	500,000	-	-	500,000
Investec-1400192509500 EPWP 11-12	-	1,531,077	-	(1,531,077)	-
Investec-1400192509500 Library grant 1112	-	5,582,573	-	(2,957,207)	2,625,366
Investec-1400192509500 Social dev 1011	-	4,438,643	-	(4,438,643)	-
Investec-1400192509500 Social dev 1112	-	6,873,458	-	(6,873,458)	-
Investec-1400192509500 Debtors book grant	-	2,281,800	-	(2,061,848)	219,952
Investec-1400192509500 Asset man. project	-	1,373,507	-	(1,373,507)	-
Investec-1400192509500 FMG 1112	-	7,500,000	-	(7,500,000)	-
Investec-1400192509500 Equitable share 2	-	14,000,000	-	(14,000,000)	-
Investec-1400192905501 Retention	2,614	-	140	-	2,754
Nedbank-03/7881044284#003 Regional sewer scheme	431,639	-	-	-	431,639
Nedbank-03/7881044284/006 Retension	95,936	-	-	(95,936)	-
Nedbank-03/7881044284#008 Retension	1,735,652	-	-	(686,849)	1,048,803
Nedbank-03/7881044284#009 Retension	50,968	-	-	(50,968)	-
Nedbank-03/7881044284#010 Self-insurance	6,034,591	-	-	(536)	6,034,055
Nedbank-03/7881044284#015 DWAF	2,500,000	(165,990)	-	(1,403,526)	930,484
Nedbank-03/7881044284#015 Retension	-	165,990	-	-	165,990
Nedbank-03/7881044284#0020 Retension	778,249	-	-	(46,298)	731,951
Nedbank-03/7881044284/0021 Retension	477,188	-	-	-	477,188
Nedbank-03/7881044284/0022 Self-insurance	13,454,093	-	-	(2,195,255)	11,258,838
Nedbank-03/7881044284/0025 Sedibeng RSS	17,863,572	(843,405)	-	(7,910,042)	9,110,125
Nedbank-03/7881044284/0025 Retension	-	843,405	-	-	843,405
Nedbank-03/7881044284/0026 MIG Roll-over	583,000	36,812,350	-	(33,147,894)	4,247,456
Nedbank-03/7881044284/0028 Wage curve	-	20,000,000	-	(20,000,000)	-
Nedbank-03/7881044284/0029 Self-insurance	-	30,000,000	-	(17,775,922)	12,224,078
Nedbank-03/7881044284/0030 Equitable share	-	25,000,000	-	(25,000,000)	-
Nedbank-03/7881044284/0031 Equitable share	-	30,000,000	-	(30,000,000)	-
Nedbank-03/7881044284/0032 NEP grant	-	4,064,000	-	(4,064,000)	-
Nedbank-03/7881044284/0033 Electricity demand side	-	4,509,160	65,727	(2,487,748)	2,087,139
Nedbank-03/7881044284/0033 Retension	-	1,490,840	-	-	1,490,840
Nedbank-03/7881044284/0034 EPWP	-	1,850,000	6,562	(1,856,562)	-
Nedbank-03/7881044284/0036 Ex-district	-	2,671,250	32,877	-	2,704,127
Nedbank-03/7881044284/0036 Retension	-	32,877	-	-	32,877
Nedbank-03/7881044284/0037 Red ants	-	2,381,760	-	(2,381,760)	-
Nedbank-03/7881044284/0037 Retension	-	65,194	-	-	65,194
Sanlam-Shares	55,000	-	-	-	55,000
	106,324,517	441,676,446	1,642,919	(434,715,671)	114,928,211

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the annual financial statements

	2012 R	2011 R
7. Value added tax receivable		
Value added tax receivable	71,033,304	21,649,624

Value added tax is payable on the receipts basis and is paid over to South African Revenue Services only once payment is received from debtors. The value added tax receivable relates to net input vat claimable from SARS.

Emfuleni Local Municipality
Annual Financial Statements for the year ended 30 June 2012

Notes to the annual financial statements

Figures in Rand

8. Property, plant and equipment

	2012		2011	
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation
			Accumulated depreciation and impairment	
				Carrying value
Land	401,032,689	-	401,032,689	399,655,373
Buildings	799,473,954	(175,519,209)	623,954,745	783,718,792
Infrastructure	9,759,957,704	(1,569,580,059)	8,190,377,645	9,698,736,414
Other property, plant and equipment	207,705,021	(119,632,875)	88,072,146	207,885,989
Finance leased assets	198,221,633	(102,944,265)	95,277,368	198,221,633
Heritage	460,317	(1,037)	459,280	437,817
Capital work in progress	224,592,999	-	224,592,999	117,433,251
Total	11,591,444,317	(1,967,677,445)	9,623,766,872	11,406,089,269
				(1,467,112,454)
				9,938,976,815

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the annual financial statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	AUC Transfers	Disposals	Donated and newly identified assets	Impairment	Depreciation	Total
Land	399,655,373	1,377,315	-	-	-	-	-	401,032,688
Buildings	653,702,500	14,148,745	1,598,188	-	-	(1,200)	(45,501,717)	623,954,745
Infrastructure	8,536,600,689	2,150	61,219,142	-	-	(3,595,019)	(403,849,317)	8,190,377,645
Other property, plant and equipment	104,946,369	5,183,646	-	(2,271,478)	2,368,301	(910,885)	(21,243,807)	88,072,146
Finance lease assets	126,200,817	-	-	-	-	(519,927)	(30,403,521)	95,277,369
Heritage assets	437,817	-	-	-	22,500	(600)	(437)	459,280
Capital work in progress	117,433,251	170,108,655	(62,948,907)	-	-	-	-	224,592,999
	9,938,976,816	190,820,511	(131,577)	(2,271,478)	2,399,030	(5,027,631)	(500,998,799)	9,623,766,872

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the annual financial statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	AUC Transfers	Disposals	Transfers	Donated and newly identified assets	Impairment	Depreciation	Total
Land	399,655,373	-	-	-	-	-	-	-	399,655,373
Buildings	640,397,568	21,332,882	35,432,821	-	-	-	-	(43,460,770)	653,702,501
Infrastructure	8,624,609,592	60,637,204	248,421,071	-	-	-	-	(396,138,952)	8,536,600,689
Other property, plant and equipment	97,451,098	15,507,595	4,855,349	(928,226)	2,346,620	7,504,121	(124,632)	(19,348,419)	104,946,369
Finance lease assets	143,077,362	4,899,026	-	(3,245,363)	-	6,594,033	(100,000)	(28,160,197)	126,200,817
Heritage assets	396,506	-	-	(109,407)	-	41,311	-	-	437,817
Capital work in progress	239,951,740	171,087,269	(288,779,485)	(4,826,273)	-	-	-	-	117,433,251
	10,145,539,239	273,463,976	(70,244)	(9,109,269)	2,346,620	14,139,465	(224,632)	(487,108,338)	9,938,976,817

Description

	Balances as previously stated in 2011	Correction of error	Total
Additions	276,134,337	(2,670,360)	273,463,977
Disposals	(4,038,287)	(5,070,982)	(9,109,269)
Donated and newly identified assets	14,794,225	(654,760)	14,139,465
Impairment	(13,995,151)	13,770,519	(224,632)
Depreciation	(139,361,010)	(347,747,329)	(487,108,339)
Transfers	1,414,280	932,340	2,346,620
AUC Transfers	(70,244)	-	(70,244)
	134,878,150	(341,440,572)	(206,562,422)

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the annual financial statements

	2012 R	2011 R
8. Property, plant and equipment (continued)		
	Opening balance	Correction of error
		Restated opening balance
Land	184,834,578	214,820,795
Buildings	127,852,833	525,849,667
Infrastructure	1,065,082,336	7,471,518,353
Other property, plant and equipment	213,293,579	(108,347,210)
Finance leased assets	-	126,200,817
Heritage	37,390	400,427
Capital work in progress	383,768,023	(266,334,772)
	1,974,868,739	7,964,108,077
		9,938,976,816

8.1 Prior year adjustments

GRAP 17 requires that infrastructure assets be componentised in order to depreciate the components over the different economic lives. In valuing the different components, the historical costs of the global infrastructure could not be apportioned to the components as Auditor General has qualified the opening balances of infrastructure assets and the documentation to support the historical cost as at date of valuation. The deemed cost is depreciated replacement cost at date of valuation given the age and condition of the components and the impact of that on remaining useful lives of assets.

All infrastructure assets acquired before 30 June 2008 were fair valued as at 30 June 2008. The dates of valuation of additions to infrastructure assets in financial year 2008/9 and financial year 2009/10 was determined as 30 June 2010 respectively.

The three dates of valuation became the acquisition dates of the relevant infrastructure assets. No accumulated depreciation exists before the dates of valuation and depreciation was valuation over the remaining useful lives of assets applying the straight-line method.

Additions in infrastructure assets in financial years 2010/11 and 2011/12 were recognised at original costs, and depreciated from date of acquisition over the expected useful life of the asset components applying the straight-line method.

Although the infrastructure assets acquired before 30 June 2010 were fair valued to determine deemed cost, the cost model still applies. Recognition, subsequent recognition and disclosure on infrastructure assets were done under the cost model.

Infrastructure assets under construction as at 30 June 2011 were analysed where assets relate to projects which commenced prior to 01 July 2010. The same methodology was applied to determine deemed cost of assets completed at 30 June 2010. All other infrastructure assets under construction at 30 June 2011 were recognised at original cost.

Finance lease assets comprising vehicles and equipment were reclassified as transport assets and machinery and equipment respectively, to correctly reflect their nature.

The impact on the value of infrastructure assets and land and buildings classified as PPE, applying the process describe above, is disclosed in above.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the annual financial statements

	2012 R	2011 R
9. Trade and other payables from exchange transactions		
Trade payables	463,048,188	230,058,510
Payments received in advance	77,809,761	65,104,379
Retentions	31,166,139	26,549,545
Outstanding cheques	9,023,119	93,485,382
Accrued interest	2,263,715	1,086,048
Provision for annual leave	42,995,213	38,847,853
Provision for 13th cheque	31,159,131	28,395,418
Year end salary creditors	23,092,777	21,026,337
Unclaimed wages	730,547	579,577
Other payables	1,261,084	2,273,594
	682,549,674	507,406,643
Present value of trade and trade payables		
Trade and other payables	447,523,375	108,596,659
Discounting	(9,862,678)	(4,613,261)
	437,660,697	103,983,398
10. Consumer deposits		
Electricity and water	33,537,913	31,186,399
The amounts reflected represent a cost value, as it is impracticable to determine fair value. Management however believes that the cost value approximates the fair value. Included in the amount of R33 537 913 is an amount of R5,912,205 being guarantees for water and electricity.		
11. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal infrastructure grant	-	17,242,937
DWAF grant	930,484	1,096,474
HIV/AIDS grant	-	37,346
Financial management grant	-	750,000
Restructuring grant	-	18,249,475
Library grant	2,795,627	2,802,216
Health grant	-	68,239
DACE grant	1,000,467	728,627
EPWP grant	-	1,290,258
Regional sewer scheme	1,134,668	(1,862,813)
Bontle ke botho	746,529	743,368
National electrification grant	-	673,525
Projects funded ex Sedibeng district municipality	2,704,127	2,704,127
Social development grant	-	5,102,498
Sedibeng regional sewer scheme	9,110,125	9,953,530
Sport and recreation	560,132	1,118,854
MSIG	-	500,000
Electricity demand grant	2,087,140	-
Debtors book project	219,952	-
MSIG Sedibeng	50,000	50,000
	21,339,251	61,248,661

Refer to note 20 for detailed movements on grants

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the annual financial statements

	2012 R	2011 R
12. Borrowings		
Borrowings	32,189,976	39,030,798
Non-current liabilities		
At amortised cost	26,920,992	32,172,176
Current liabilities		
At amortised cost	5,268,984	6,858,622
	32,189,976	39,030,798

13. Finance lease liability

Minimum lease payments due		
- within one year	23,161,407	62,193,495
- in second to fifth year inclusive	1,036,785	36,162,853
	24,198,192	98,356,348
less: future finance charges	(23,161,407)	(62,193,495)
Present value of minimum lease payments	1,036,785	36,162,853

The average lease term was 3-5 years and the average effective borrowing rate was 9%. Interest rates are either fixed or variable at contract date. All leases have fixed or variable repayments and in certain instances contingent rent is payable, as per stipulation in the lease agreements.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. The municipality did not default on any of the interest or capital repayments of the finance leases. No terms or condition of finance leases were re-negotiated. All risks and rewards of ownership remain with the lessor of the lease and there is no option to purchase the leased asset. There is no restriction imposed on the lease agreement.

Operating leases - Municipality as lessor - property

within one year	1,203,833	-
in second to fifth year inclusive	3,674,195	-
	4,878,028	-

Operating leases - Municipality as lessee - fleet

within one year	2,382,639	9,203,678
in second to fifth year inclusive	147,547	18,492,941
	2,530,186	27,696,619

Operating leases - Municipality as lessee - office equipment

within one year	831,390	-
in second to fifth year inclusive	1,108,519	-
	1,939,909	-

Operating leases - Municipality as lessor

These leases are in respect of municipal property that is leased to third parties. These leases are payable by lessees, either monthly or annually. Leases escalate at annual fixed rates that vary between 0% and 12.5%.

No contingent rent was recognised as revenue because rental increases are escalated at a fixed percentage. Increases are not based on indices that result in a fluctuating interest rate.

Operating leases - Municipality as lessee - Fleet

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the annual financial statements

	2012 R	2011 R
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Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Operating leases - Municipality as lessee - Office Equipment

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the annual financial statements

	2012 R	2011 R
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14. Provisions

Reconciliation of provisions - 2012

	Opening Balance	Additions	Total
Environmental rehabilitation	107,773,638	6,412,173	114,185,811
Provision- long service awards	52,508,155	6,655,106	59,163,261
Provision for post-employment health care benefits	87,419,244	39,561,061	126,980,305
	247,701,037	52,628,340	300,329,377

Reconciliation of provisions - 2011

	Opening Balance	Additions	Total
Environmental rehabilitation	103,778,178	3,995,460	107,773,638
Provision- long service awards	39,344,777	13,163,378	52,508,155
Provision for post-employment health care benefits	73,037,732	14,381,512	87,419,244
	216,160,687	31,540,350	247,701,037

Refer to note 37 for details of long service awards and post-employment health care benefits

Environmental rehabilitation provision

With regards to the Provision for Landfill sites: It is stated in the Department of Water Affairs and Forestry "Minimum Requirements for Waste Disposal by Landfill", Second Edition 1998, Chapter 2.3.4, that "All landfills except those closed prior to August 1990 when the permitting system came into effect, must be permitted before they can be considered closed. Closure will involve, inter alia, the application of final cover, top soiling, vegetating, and drainage maintenance and leachate management."

Rehabilitation costs in respect of geo-hydrological monitoring are anticipated to be a recurring cost for the next:

20 years – Waldrift landfill site

6 years – Boitsepi landfill site

30 years – Palm Springs landfill site

The valuation of the land on which the landfill sites is situated was determined by Messrs Neil de Klerk (Pty) Ltd. (NdK). NdK appointed Messrs Hill & associates (H&A) to determine the value of the land as the land is encumbered by waste and this requires an Environmental Engineers input.

Waldrift

The current disposal rate is approximately 4 000 tons per month (153 tons per day) and the expected site life is 20 years.

A GMB- landfill site, in terms of the Minimum Requirements (MR) for waste disposal by landfill, 1998, will required the following for rehabilitation:

1. The waste must be shaped to allow for water to runoff with no ponding allowed on the site;
2. The waste must be a capping with a layer of clay a minimum of 300mm thick;
3. The clay must be a capping with a layer of topsoil a minimum of 200mm thick;
4. The top soiled area must be grassed to minimize the effects of erosion either by wind or water;
5. A Landfill Gas mitigation plan, i.e. gas extraction of release, is required.

The soils to be used for the capping will be obtained from local stockpile sources within close proximity to the site. It is assumed that the work will be done by external parties, i.e. Civil Engineering Contractor.

Emfuleni Local Municipality

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Notes to the annual financial statements

	2012 R	2011 R
14. Provisions (continued)		
The cost estimate to close the landfill site in 2012 is R6 824 516.18 excl. VAT which will need to be expanded using the CPI for the area to the year of final rehabilitation		
Boitsepi		
The current disposal rate is approximately 25 000 tons per month (961 tons per day) and the expected site life is 6 years. A GLB+ landfill site, in terms of the Minimum Requirements (MR) for waste disposal by landfill, 1998, will required the following for rehabilitation:		
1. The waste must be shaped to allow for water to runoff with no ponding allowed on the site;		
2. The shaped waste must be a capping with a layer of 19mm stone a minimum of 150mm thick for gas drainage;		
3. The shaped drainage layer must be a covered with a layer of A4 bidim;		
4. The bidim must be a capping with a layer of clay a minimum of 450mm thick;		
5. The clay must be a capping with a layer of topsoil a minimum of 200mm thick;		
6. The top soiled area must be grassed to minimize the effects of erosion either by wind or water;		
7. A Landfill Gas mitigation plan, i.e. gas extraction of release, is required.		
The soils to be used for the capping must be imported from commercial sources within close proximity to the site. It is assumed that the work will be done by external parties, i.e. Civil Engineering Contractor		
The cost estimate to close the landfill site in 2012 is R65 763 395.82 excl. VAT which will need to be expanded using the CPI for the area to the year of final rehabilitation		
Palm Springs		
The current disposal rate is approximately 5 000 tons per month (192 tons per day) and the expected site life is 30 years. A GMB- landfill site, in terms of the Minimum Requirements (MR) for waste disposal by landfill, 1998, will required the following for rehabilitation:		
1. The waste must be shaped to allow for water to runoff with no ponding allowed on the site;		
2. The waste must be a capping with a layer of clay a minimum of 300mm thick;		
3. The clay must be a capping with a layer of topsoil a minimum of 200mm thick;		
4. The top soiled area must be grassed to minimize the effects of erosion either by wind or water;		
5. A Landfill Gas mitigation plan, i.e. gas extraction of release, is required.		
The soils to be used for the capping must be imported from commercial sources within close proximity to the site. It is assumed that the work will be done by external parties, i.e. Civil Engineering Contractor		
The cost estimate to close the landfill site in 2012 is R41 597 898.78 excl. VAT which will need to be expanded using the CPI for the area to the year of final rehabilitation.		
15. Property rates		
Rates		
Rates levied	351,966,028	310,197,555
Valuations		
Residential	45,498,959,000	43,628,701,500
Commercial	11,591,535,001	10,903,566,000
Government	1,320,586,000	1,199,681,000
Agriculture	1,123,379,000	1,042,048,000
Other	3,801,487,000	3,513,537,000
	63,335,946,001	60,287,533,500

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the annual financial statements

	2012 R	2011 R
16. Service charges		
Sewerage and sanitation charges	197,320,365	182,001,870
Sale of electricity	1,415,814,929	1,184,838,192
Sale of water	492,337,050	420,482,491
Refuse removal	96,346,276	89,632,770
	2,201,818,620	1,876,955,323
17. Rental of facilities and equipment		
Premises		
Rental of facilities	11,437,026	8,225,971
Facilities and equipment		
Rental of equipment	2,115	31,662
	11,439,141	8,257,633
18. Finance income		
Dividend revenue		
Other financial assets - local	9,532	5,756
Finance income		
Finance income on arrears	21,234,644	35,271,087
Bank	16,434,492	15,007,211
	37,669,136	50,278,298
	37,678,668	50,284,054
19. Traffic fines		
Traffic fines income	36,769,543	17,371,500

Included in the traffic fines income, are fines issued but not yet received at year end totalling R5 825 682 (2011: R2 478 834)

Emfuleni Local Municipality

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Notes to the annual financial statements

	2012 R	2011 R
20. Government grants and subsidies		
Equitable share	539,842,000	498,815,000
Municipal infrastructure grant	144,227,937	122,112,654
Department of water affairs and forestry	165,990	673,270
HIV/AIDS grant	561,506	587,737
Finance management grant	8,750,000	1,014,025
Health grant	68,239	141,090
Restructuring grant	-	(15,100)
Regional sewer scheme	11,747,242	11,507,105
Bontle ke botho	930	14,883
Library grant	7,206,589	6,416,451
Sport and recreation	520,342	898,042
Municipal systems improvement grant	800,000	275,935
Social development grant	14,102,498	4,007,555
DACE grant	228,160	193,529
National electrification programme	9,890,400	6,365,600
Health subsidy	42,711,952	40,579,926
Sedibeng regional sewer scheme grant	12,396,780	14,090,470
Maplankeng grant	-	-
EPWP grant	6,734,674	47,442
Electricity demand	3,912,860	-
Debtors book restructuring grant	2,080,048	-
Asset management project	1,800,000	-
Kwa-Masiza grant	15,500,000	-
Security grant (Evictions)	26,330,339	-
	849,578,486	707,725,614

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic and administrative services to indigent community members and to subsidise income. Currently the municipality provides 6kl of water free to all residential households and 10kl to indigent household. All registered indigents qualify for a subsidy to the maximum of R 507 per month. Indigents have to register annually.

Municipal infrastructure grant

Balance unspent at beginning of year	17,242,937	33,772,591
Current-year receipts	126,985,000	105,583,000
Conditions met - transferred to revenue	(144,227,937)	(122,112,654)
	-	17,242,937

Conditions still to be met - remain liabilities (see note 11).

This grant was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld by the grantor.

Department of water affairs and forestry

Balance unspent at beginning of year	1,096,474	1,769,744
Conditions met - transferred to revenue	(165,990)	(673,270)
	930,484	1,096,474

Conditions still to be met - remain liabilities (see note 11).

This grant is used for water demands management.

Emfuleni Local Municipality

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Notes to the annual financial statements

	2012 R	2011 R
20. Government grants and subsidies (continued)		
HIV/AIDS grant		
Balance unspent at beginning of year	37,346	121,483
Current-year receipts	524,160	503,600
Conditions met - transferred to revenue	(561,506)	(587,737)
	-	37,346

Conditions still to be met - remain liabilities (see note 11).

This grant is used for various purposes depending on the business plan submitted.

Financial management grant

Balance unspent at beginning of year	750,000	764,024
Current-year receipts	8,750,000	1,000,000
Conditions met - transferred to revenue	(8,750,000)	(1,032,073)
Re-statement of expenditure	-	18,049
Withheld by treasury during the financial year	(750,000)	-
	-	750,000

Conditions still to be met - remain liabilities (see note 11).

This grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA. An amount of R750 000 relating to previous periods was withheld by the grantor during the financial year.

Health grant

Balance unspent at beginning of year	68,239	209,329
Conditions met - transferred to revenue	(68,239)	(141,090)
	-	68,239

Conditions still to be met - remain liabilities (see note 11).

This grant is used to improve primary health care facilities in the ELM area.

Restructuring grant

Balance unspent at beginning of year	18,249,475	18,234,375
Conditions met - transferred to revenue	-	15,100
Withheld by treasury during the financial year	(18,249,475)	-
	-	18,249,475

Conditions still to be met - remain liabilities (see note 11).

This grant is used for meeting particular financial and institutional improvement targets, targeting mainly service delivery and local economic development. An amount of R18 249 475 was withheld by the grantor during the financial year.

Regional sewer scheme

Balance unspent at beginning of year	(1,862,813)	9,644,383
Current-year receipts	26,298,099	(1,826,592)
Conditions met - transferred to revenue	(11,747,242)	(1,862,904)
Re-allocation of expenditure to correct grant	(11,553,376)	-
Recognition of expenditure in prior year paid from the grant	-	(7,817,700)

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the annual financial statements

	2012 R	2011 R
20. Government grants and subsidies (continued)	1,134,668	(1,862,813)

Conditions still to be met - remain liabilities (see note 11).

This grant supplements the financing of the social component of regional bulk water and sanitation. It targets projects that cut across the boundaries of other municipalities. The grant supplements regional bulk collection and waste water treatment works. It may also be used to appoint service providers to carry out feasibility studies, related planning or management studies for infrastructure projects.

Bontle ke botho

Balance unspent at beginning of year	743,368	752,661
Current-year receipts	4,090	5,590
Conditions met - transferred to revenue	(929)	(14,883)
	746,529	743,368

Conditions still to be met - remain liabilities (see note 11).

The MEC agriculture conservation and environment, initiated a clean and green programme based on the Johannesburg plan of implementation, whereby the municipalities, wards and schools are encouraged to keep the nearest places clean. This is done through a campaign named Bontle ke botho which rewards the best municipality.

Dry sanitation grant

Balance unspent at beginning of year	-	261,034
Conditions met - transferred to revenue	-	(261,034)
	-	-

Conditions still to be met - remain liabilities (see note 11).

This grant is used for the supply of bulk water. No funds have been withheld by the grantor.

National electrification programme

Balance unspent at beginning of year	673,525	673,525
Current-year receipts	9,890,400	-
Debtor year end	-	6,365,600
Conditions met - transferred to revenue	(9,890,400)	(6,365,600)
Withheld by treasury during the financial year	(673,525)	-
	-	673,525

Conditions still to be met - remain liabilities (see note 11).

To implement the integrated national electrification programme (INEP) by providing capital subsidies to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure in order to improve quality of supply. An amount of R 673 525 relating to previous periods was withheld by the grantor during the financial year.

Projects funded ex Sedibeng district municipality

Balance unspent at beginning of year	2,704,127	2,704,127
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Conditions still to be met - remain liabilities (see note 11).

Funds are used for upgrading of cemeteries. No funds have been withheld by the grantor.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the annual financial statements

	2012 R	2011 R
20. Government grants and subsidies (continued)		
Maplankeng project		
Balance unspent at beginning of year	-	114,445
Conditions met - transferred to revenue	-	(114,445)
	-	-

Conditions still to be met - remain liabilities (see note 11).

Funds allocated for installation of a link line and standpipes to provide basic water in Maplankeng. No funds have been withheld by the grantor.

Municipal systems improvement grant

Balance unspent at beginning of year	500,000	25,935
Current-year receipts	800,000	750,000
Conditions met - transferred to revenue	(800,000)	(775,935)
Re-statement of expenditure	-	500,000
Withheld by treasury during the financial year	(500,000)	-
	-	500,000

Conditions still to be met - remain liabilities (see note 11).

To assist municipalities to build in-house capacity to perform their functions and stabilise institutional governance systems as required in the Municipal Systems Act (MSA), and other related legislation policies and the local government turnaround strategy - the focus being MPRA, effective implementation of ward committees and improvement to fixed asset registers.

Library grant

Balance unspent at beginning of year	2,802,216	4,061,492
Current-year receipts	7,200,000	5,157,175
Conditions met - transferred to revenue	(7,206,589)	(6,416,451)
	2,795,627	2,802,216

Conditions still to be met - remain liabilities (see note 11).

The purpose of the grant is to financially support municipal library services in the administration of libraries, in order to render efficient, effective and economic library and information services to communities.

Social development grant

Balance unspent at beginning of year	5,102,498	108,294
Current-year receipts	9,000,000	9,001,759
Conditions met - transferred to revenue	(14,102,498)	(4,007,555)
	-	5,102,498

Conditions still to be met - remain liabilities (see note 11).

Funds used to construct two early childhood development centres.

Emfuleni Local Municipality

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Notes to the annual financial statements

	2012 R	2011 R
20. Government grants and subsidies (continued)		
Municipal systems infrastructure grant (Sedibeng)		
Balance unspent at beginning of year	50,000	50,000
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	50,000	50,000
Conditions still to be met - remain liabilities (see note 11).		
Funds meant to fund an LED project		
Department of agriculture conservation and the environment		
Balance unspent at beginning of year	728,627	422,157
Current-year receipts	500,000	500,000
Conditions met - transferred to revenue	(228,160)	(193,530)
	1,000,467	728,627
Conditions still to be met - remain liabilities (see note 11).		
Funds used for implementation of Emfuleni alien vegetation eradication project.		
Expanded public works programme		
Balance unspent at beginning of year	1,290,258	989,700
Current-year receipts	3,049,000	348,000
Debtor year end	2,395,416	-
Conditions met - transferred to revenue	(6,734,674)	(47,442)
	-	1,290,258
Conditions still to be met - remain liabilities (see note 11).		
To provide expanded public works programme (EPWP) incentive funding to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised.		
Sedibeng regional sewer scheme		
Balance unspent at beginning of year	9,953,530	-
Current-year receipts	-	24,044,000
Conditions met - transferred to revenue	(12,396,780)	(14,090,470)
Re-allocation of expenditure to regional sewer scheme(correction)	11,553,375	-
	9,110,125	9,953,530
Conditions still to be met - remain liabilities (see note 11).		
This grant supplements the financing of the social component of regional bulk water and sanitation. It targets projects that cut across the boundaries of several municipalities. The grant supplements regional bulk collection and wastewater treatment works. It may also be used to appoint service providers to carry out feasibility studies, related planning or management studies for infrastructure projects.		

Emfuleni Local Municipality

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Notes to the annual financial statements

	2012 R	2011 R
20. Government grants and subsidies (continued)		
Debtors book restructuring grant		
Balance unspent at beginning of year	-	-
Current-year receipts	2,300,000	-
Conditions met - transferred to revenue	(2,080,048)	-
	219,952	-
Conditions still to be met - remain liabilities (see note 11).		
To provide financial assistance to the municipality for the implementation of the Gauteng revenue enhancement and debtor management project (Municipal debtors book project). Structuring of the debtors book and preparatory work.		
Asset management project		
Balance unspent at beginning of year	-	-
Current-year receipts	1,800,000	-
Conditions met - transferred to revenue	(1,800,000)	-
	-	-
Conditions still to be met - remain liabilities (see note 11).		
To provide financial assistance to the municipality to compile a GRAP 17 compliant asset register.		
Security grant (evictions)		
Balance unspent at beginning of year	-	-
Current-year receipts	26,330,339	-
Conditions met - transferred to revenue	(26,330,339)	-
	-	-
Conditions still to be met - remain liabilities (see note 11).		
Kwa Masiza grant		
Balance unspent at beginning of year	-	-
Current-year receipts	15,500,000	-
Conditions met - transferred to revenue	(15,500,000)	-
	-	-
Conditions still to be met - remain liabilities (see note 11).		
To provide for purchase and development of Kwa-Masiza hostel.		
Health and environment subsidies		
Current-year receipts	42,711,952	40,579,926
Conditions met - transferred to revenue	(42,711,952)	(40,579,926)
	-	-
Conditions still to be met - remain liabilities (see note 11).		

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the annual financial statements

	2012 R	2011 R
20. Government grants and subsidies (continued)		
Sports and recreation grant		
Balance unspent at beginning of year	1,118,854	2,016,896
Current-year receipts	(38,380)	-
Conditions met - transferred to revenue	(520,342)	(808,511)
Previous period vat transferred to income	-	(89,531)
	560,132	1,118,854

Conditions still to be met - remain liabilities (see note 11).

Provide explanations of conditions still to be met and other relevant information.

Electricity demand site management grant

Current-year receipts	6,000,000	-
Conditions met - transferred to revenue	(3,912,860)	-
	2,087,140	-

Conditions still to be met - remain liabilities (see note 11).

To provide subsidies to municipalities to implement electricity demand site management (EDSM) in municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

21. Other income

Collection costs recovered	-	41,611
Access to information	472,546	327,016
Capital contribution	7,102,349	3,307,541
Dishonoured cheques	53,618	55,560
Refunds	3,148,822	3,412,568
Sundries/unallocated income	12,507,201	35,493,082
Surplus cash	10,938	3,203
Warning services	2,442,613	3,400,144
Advertising	167,693	174,403
Informal trading revenue	263,577	185,584
Alienation of stand	79,375	76,776
Compensation for servitude	-	139,204
Reconnection fees	17,576,120	20,193,945
Licences and permits	13,008	8,390
Planning fees	88,850	29,699
Sale of tender documents	1,786,100	391,150
Zoning certificates	68,906	71,677
Activity room/auditorium	22,160	26,892
Building plans	1,036,915	1,276,058
Cemeteries	4,984,366	6,030,376
Entrance fees	91	439,909
General service fees	5,044,644	5,457,498
Fire rescue services	1,920,186	323,624
Flammable liquid	72,371	70,795
Grass cutting and removal of trees	-	23,899
Refuse dumping landfill site	12,888,675	16,030,607
Lost and damaged library material	4,006	8,514
Industrial effluent	924,925	713,759
Departmental charges	19,722,737	18,792,345
	92,402,792	116,505,829

Emfuleni Local Municipality

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Notes to the annual financial statements

	2012 R	2011 R
22. (Loss)/ gain on sale of assets		
Loss on disposal of assets and liabilities	(3,610,330)	408,574

Emfuleni Local Municipality

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Notes to the annual financial statements

	2012 R	2011 R
23. Employee related costs		
Basic salaries	405,094,728	361,364,405
13th cheque	30,421,304	28,671,028
Medical aid - company contributions	35,658,996	31,325,282
Unemployment insurance fund (UIF)	3,363,624	3,253,943
Other payroll levies	136,062	136,526
Leave pay provision charge	7,142,675	5,841,045
Provision for leave and 13th cheque	6,911,072	11,827,311
Provision for long service awards and medical aid	46,216,167	28,492,270
Pension fund contribution	80,219,226	73,573,521
Overtime payments	45,698,330	43,090,948
Car allowance	30,241,079	28,881,510
Housing benefits and allowances	2,603,261	2,549,515
Other allowance	7,539,319	5,317,851
Group insurance	21,468,024	19,101,532
	722,713,867	643,426,687
Remuneration of Municipal Manager		
Annual remuneration (2012: 12 months, 2011: 12 months)	1,218,717	1,269,969
Car, non-pensionable and telephone allowance	530,736	427,736
	1,749,453	1,697,705
Chief Financial Officer		
Annual remuneration (2012: 08 months, 2011: 12 months)	723,427	1,042,380
Car and telephone allowance and annual leave	78,344	62,400
	801,771	1,104,780
The position of CFO was vacant for the last 4 months of the 2011/2012 financial year and an incumbent was appointed to act in the position.		
Corporate Services (DMM)		
Annual remuneration (2012: 08 months, 2011: 12 months)	551,590	959,558
Car and telephone allowance, non-pensionable and annual leave	245,967	75,111
	797,557	1,034,669
The position of DMM: Corporate Services was vacant for the last 4 months of the 2011/2012 financial year, and an incumbent was appointed to act in the position.		
Basic Services (DMM)		
Annual remuneration (2012: 12 months, 2011: 05 months)	1,250,000	737,046
Telephone allowance	17,400	6,000
	1,267,400	743,046
The position of the Basic Services (DMM) was filled in the year 2010/2011, effective 07-02-2011		
Chief Audit Executive		
Annual remuneration (2012: 12 months, 2011: 05 months)	716,800	614,526
Car and telephone allowance, non-pensionable, travel claims	304,073	118,350
	1,020,873	732,876

Emfuleni Local Municipality

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Notes to the annual financial statements

	2012 R	2011 R
23. Employee related costs (continued)		
The position of the Chief Audit Executive was filled in the year 2010/2011, effective 15-11-2010		
Economic Development and Planning (DMM)		
Annual remuneration (2012: 12 months, 2011: 12 months)	918,212	819,212
Travel claims, gratuities, car and telephone allowance	405,227	191,759
	1,323,439	1,010,971
Public Safety (DMM)		
Annual remuneration (2012: 08 months, 2011: 12 months)	583,590	840,536
Allowances	236,631	194,400
	820,221	1,034,936
The position of DMM: public safety was vacant for the last 4 months of the 2011/2012 financial year, and an incumbent was appointed to act in the position.		
Infrastructure Planning and Asset Management (DMM)		
Annual remuneration (2012: 12 months, 2011: 05 months)	1,032,000	444,000
Car and telephone allowance	185,400	62,000
	1,217,400	506,000
The position of the Infrastructure Planning and Asset Management (DMM) was created in the year 2010/2011, effective 01-02-2011.		
Chief Operating Officer		
Annual remuneration (2012: 12 months, 2011: 04 months)	883,000	294,333
Allowances	137,400	44,800
	1,020,400	339,133
The position of Chief Operating Officer was created in the year 2010/2011, effective 01-03-2011		
Chief Risk Officer		
Annual remuneration (2012: 8 months, 2011: 0 months)	397,600	-
Allowances	167,200	-
	564,800	-
Chief Information Officer		
Annual remuneration (2012: 1 months, 2011: 0 months)	82,500	-
Allowances	-	-
	82,500	-

Emfuleni Local Municipality

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Notes to the annual financial statements

	2012 R	2011 R
24. Remuneration of councillors		
Executive Mayor	888,348	822,117
Speaker	468,160	444,342
Mayoral Committee members	6,356,651	6,040,343
Councillors	17,419,992	15,624,335
	25,133,151	22,931,137

In-kind benefits

The office of Executive Mayor, Speaker and Mayoral Committee members are full time positions. Each is provided with an office and secretariat support at the cost of the municipality.

The Mayor makes use of a municipal owned vehicle for official duties.

25. Bulk purchases

Electricity	1,162,496,093	924,336,839
Water	411,834,554	341,669,798
	1,574,330,647	1,266,006,637

26. General expenses

Advertising	4,221,444	2,276,151
Auditors remuneration	5,643,727	5,789,485
Bank charges	1,440,744	1,101,442
Commission paid	6,109,311	5,287,641
Consulting and professional fees	3,374,174	3,817,403
Consumables	4,491,636	1,398,733
Insurance	16,936,978	30,188,178
Conferences and seminars	3,566,117	4,210,700
Lease rentals on operating lease	34,308,068	39,670,660
Transport fees	21,777,582	27,845,440
Magazines, books and periodicals	802,339	638,009
Medical expenses	136,366	147,362
Rezoning costs	-	3,334
Recoverable works	18,277	131,411
Relocation cost	34,100	28,292
Postage and courier	5,219,158	3,698,621
Printing and stationery	5,911,450	5,079,463
Staff expenditure	11,092,789	9,888,297
Royalties and license fees	1,865,301	1,379,931
Security (Guarding of municipal property)	36,700,515	17,531,274
Software expenses	3,139,228	1,401,196
Subscriptions and membership fees	3,890,914	2,252,273
Telephone and fax	4,574,499	7,128,517
Training	9,478,935	1,824,160
Electricity	4,791,070	5,148,941
Uniforms	2,783,863	2,745,516
Special programmes	27,891,863	35,496,640
Indigent support	160,619,909	126,750,140
Valuation roll expense	119,248	250,266
Public expenditure	342,476	368,907
Departmental charges	17,590,088	13,164,529
Other expenses	31,231,387	9,798,996
	430,103,556	366,441,908

"Other expenses" consist of various minor expenses.

Emfuleni Local Municipality

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Notes to the annual financial statements

	2012 R	2011 R
27. Cash generated from operations		
Deficit	(232,957,406)	(129,731,129)
Adjustments for:		
Depreciation and amortisation	504,841,902	490,202,396
Gain (loss) on sale of assets and liabilities	3,610,330	(408,574)
Fair value adjustments	(4,474,131)	(109,470,117)
Impairment deficit	5,027,629	224,632
Debt impairment	314,129,108	329,956,165
Movements in provisions	52,628,340	31,540,350
Prior period error	(9,100,545)	181,103,532
Changes in working capital:		
Inventories	(649,193)	2,115,220
Other receivables from non-exchange transactions	(124,488,907)	(112,766,199)
Trade and other receivables from exchange transactions	(321,984,872)	(426,577,309)
Trade and other payables from exchange transactions	175,143,032	35,197,404
VAT	(49,383,680)	20,962,548
Unspent conditional grants and receipts	(39,909,410)	(16,083,508)
	272,432,197	296,265,411
28. Cash and cash equivalents		
Cash and cash equivalents	12,857,572	18,497,047
Held to maturity investments (amortised cost)	114,928,212	106,269,517
	127,785,784	124,766,564

Included in the amount for held to maturity investments are conditional grants to the value of R21,339,251

29. Correction of error

During the 2011/2012 year the following adjustments were made to transactions whereby amounts were erroneously stated in previous financial periods: The comparative amounts have been restated as follows:

Transactions affecting statement of changes in net assets: accumulated surplus 2010/2011

Trade and trade receivables from exchange transactions	83,745,658
Trade and trade receivables from non - exchange transactions	(28,297,966)
Vat receivable	290
Property, plant and equipment- fair valuation	(341,440,572)
Investment property - fair valuation	9,552,000
Trade and other payables from exchange transactions	(102,051,750)
Unspent conditional grants	27,933,410
Finance lease liability	(20,773,109)
Intangibles fair valuation	(391,621)
	(371,723,660)

30. Unauthorised, irregular, fruitless and wasteful expenditure disallowed

Opening balance	176,592	65,892
Fruitless and wasteful expenditure current year	2,365,797	110,700
Condoned or written off by council	(1,282,351)	-
Subsequently recovered	(1,050,072)	-
Irregular expenditure	4,117,568	-
	4,327,534	176,592

The VAT for the period May 2011 was transferred to SARS late due to a technical problem with SARS e-filing system. The interest and penalties incurred were R87 538. An application to waive interest and penalties incurred was lodged with SARS. An amount of R87 538 was refunded during June 2012.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the annual financial statements

	2012 R	2011 R
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30. Unauthorised, irregular, fruitless and wasteful expenditure disallowed (continued)

The payment for PAYE was transferred to SARS late during the 2011/2012 financial period due to technical problems with ABSA. Penalties and interest amounting to R962 534 were incurred. An application to waive interest and penalties was lodged with SARS and the amount was subsequently recovered.

Interest amounting to R53 130, was incurred due to late payment of audit fees.

Interest and penalties amounting to R67 781 for late payment to the Compensation Commissioner.

An amount of R1 282 351 was incurred as a result of non-performance by the appointed contractor for construction and upgrading of roads and stormwater infrastructure for ward 2, 17, 30 and 32. A report to condone the expenditure was tabled to council on 28 February 2012 and was approved.

Irregular expenditure

An award was made in contravention of the Supply chain management regulations amounting R1 168 920

Awarding of contracts to suppliers owing the municipality for more than 90 days: R604 673

Deviation from competitive bidding

- Procurement of electrical stock: R956 070
- Procurement of EPWP overalls: R383 000
- Procurement of water meters: R653 829
- Procurement of water meters and valves: R280 577
- Procurement of transformers: R70 500

31. Additional disclosure in terms of Municipal Finance Management Act

PAYE and UIF

Opening balance	6,819,452	6,259,275
Current year subscription / fee	93,077,811	80,252,236
Amount paid - current year	(85,402,143)	(73,432,784)
Amount paid - previous years	(6,819,452)	(6,259,275)
	7,675,668	6,819,452

Emfuleni Local Municipality

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Notes to the annual financial statements

	2012 R	2011 R
31. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Councillors' arrear consumer accounts		
The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2012:		
30 June 2012	Owner	Total
Radebe SJ	203,713	203,713
Hlongwane NG	62,814	62,814
Mcera WV	38,262	38,262
Tatae TE	36,518	36,518
Matsei NP	32,727	32,727
Mahlase KM	28,977	28,977
Maseko BP	24,951	24,951
Rapapali LG	22,249	22,249
Tshabalala NS	19,197	19,197
Mzangwa VH	10,905	10,905
Wright JW	9,827	9,827
Ranake KJM	1,780	1,780
Skelem PC	5,228	5,228
Mooko CS	2,821	2,821
Rani LB	2,428	2,428
Malisa DM	2,060	2,060
Sotsu VO	1,092	1,092
Thulo NR	968	968
	506,517	506,517
30 June 2011	Owner	Total
Radebe SJ	222,242	222,242
Mcera WV	40,782	40,782
Nkosi S	39,406	39,406
Zondi N	37,519	37,519
Mahlase KB	32,646	32,646
Mochawe JS	30,036	30,036
Gavin ZS	28,168	28,168
Phohlela MZ	24,401	24,401
Maseko BP	24,279	24,279
Radebe AM	23,969	23,969
Rapapali LG	20,567	20,567
Ramashamole AT	18,637	18,637
Mzangwa VH	15,884	15,884
Mooko CS	14,243	14,243
Mathibela LJ	14,089	14,089
Mbele JV	11,999	11,999
Mphuthing KW	11,859	11,859
Wright JW	9,826	9,826
Hlongwane NG & JM	6,540	6,540
Prinsloo WJ	6,015	6,015
Mnguni KJ	5,935	5,935
Seshauke PA	5,373	5,373
Kubheka ML	4,303	4,303
Mohammed A	3,094	3,094
Rapakeng OD	2,450	2,450
Sotsu VO	2,175	2,175
Karsten ASJ	1,912	1,912
Mtambo MR	1,899	1,899
Sikukula M	1,332	1,332
Matsei NP	1,321	1,321
Ranake KJM	1,258	1,258

Emfuleni Local Municipality

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Notes to the annual financial statements

	2012 R	2011 R
31. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Hlongwane SD	820	820
Raikane MD	404	404
Bikitsha MB	335	335
	665,718	665,718

32. Electricity and water distributions losses

Distribution losses relate to unaccounted for electricity and water. These losses mainly arise from illegal connections to both electricity and water networks, physical losses due to network operations and economical losses due to faulty meters. The total distribution losses for electricity is 366 289 279 kilowatts (R184 959 535.84) and for water 32 710 681 kilolitres (R148 498 642.30). The total percentage of distribution losses for electricity is 17% (11.10% for 10/11) and for water is 36.5% (51% for 10/11).

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the annual financial statements

33. Contingencies

Contingent liability (civil matters)

Claim	Description	Amount
1	A claim by Maluleke Seriti Attorneys for legal fees due to them	1,000,000
2	A claim by Ms. Nhlapo was lodged for property sold in execution over the movables to recover outstanding rates and taxes. The estimated value of property is R700 000	700,000
3	A claim by Realty North SA, for third party claim	70,000
4	A claim by Poor Man Rich Man for restitution of goods which were condemned by municipality	1,000,000
5	A claim by Sala Pension Fund that ELM failed to pay increased employer contributions premiums which amounts to R3 900 000	3,900,000
6	Reality North S.A third party claim	70,000
7	Jooste third party claim of R300 000	100,000
8	Du Toit third party claim	75,000
9	CL Mofokeng, case number 1189/2010 which amounts to R1 560	1,560
10	Spice JJ & Nkamane ME, third party claim	1,762,924
11	PJ Pienaar, unlawful detention amount R100 000	100,000
12	A claim by George Magoma for breach of contract at an amount of R743 240	743,240
13	Maxime hotel, claim for outstanding rates and taxes	1,166,120
14	A claim by ELM against BT Mbongwe Engineering for not following tender specifications during the bidding process	23,000,000
15	BM Molefi, claim for compensation/council built on their land.	3,000,000
		36,688,844

Contingent liabilities (Eskom and insurance)

Upon incorporation on 1 January 1995, the former Town Council of Sebokeng was integrated into the now disestablished Vereeniging/Kopanong Metropolitan Local Council. Sebokeng Town Council had a liability of approximately R300 million towards Eskom. The municipality is of the opinion that Eskom took over certain electricity networks in settlement of the liability. Notice, dated 11 November 2010, received from Eskom, confirms that the amount was written off.

During the financial 2011/2012 financial year, the municipality encountered 28 claims, which were repudiated. The total value of repudiated third party claims was R1 282 935.

Contingent assets

Assets taken over by Eskom in terms of the above, mentioned revaluation and not reflected in the statement of financial position.

34. Related parties

Section 56 managers

Councillors

35. Events after the reporting date

The municipality raised a short term loan facility amounting to R150 million, after the reporting date, as resolved by council.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the annual financial statements

36. New standards and interpretations

36.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012:

GRAP 24: Presentation of budget information in the financial statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of comparison of budget and actual amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

Notes to the annual financial statements

36. New standards and interpretations (continued)

GRAP 103: Heritage assets

Grap 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items, thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The standard requires judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

Grap 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction, which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses. The revaluation model requires a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

Grap 103 prescribes that, when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Grap 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value, is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net

Notes to the annual financial statements

36. New standards and interpretations (continued)

disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2012.

A grace period of 3 years for implementation is allowed of which the municipality has taken advantage.

The municipality expects to adopt the standard for the first time in the 2015 annual financial statements.

GRAP 21: Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the annual financial statements

36. New standards and interpretations (continued)

GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by a municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable amount of the asset. When estimating the value in use of an asset, an entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, a municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

GRAP 23: Revenue from non-exchange transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the annual financial statements

36. New standards and interpretations (continued)

An inflow of resources from a non-exchange transaction recognised as an asset, shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

The effective date of the standard is for years beginning on or after 01 April, 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements

GRAP 25:Employee benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.
- GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by a municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
 - an entity's decision to terminate an employee's employment before the normal retirement date; or
 - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
- All short-term employee benefits;
- Short-term compensated absences;
- Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost;
- Actuarial valuation method;
- Attributing benefits to periods of service;
- Actuarial assumptions;
- Actuarial assumptions: Discount rate;

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the annual financial statements

36. New standards and interpretations (continued)

- Actuarial assumptions: Salaries, benefits and medical costs;
- Actuarial gains and losses;
- Past service cost.
- Plan assets:
- Fair value of plan assets;
- Reimbursements;
- Return on plan assets.

The effective date of the standard is for years beginning on or after 01 April, 2013.

The municipality expects to adopt the standard for the first time when it becomes compulsory.

GRAP 104: Financial instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle a municipality to a portion of another municipality's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, a municipality considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where an municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, a municipality can however designate such an instrument to be measured at fair value.

A municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

GRAP 104 requires extensive disclosures on the significance of financial instruments for a municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that a municipality is exposed to as a result of its annual financial statements. Some disclosures, for example, the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the annual financial statements

36. New standards and interpretations (continued)

GRAP 104 does not prescribe principles for hedge accounting. An municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

The effective date of the standard is for years beginning on or after 01 April, 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the annual financial statements

	2012 R	2011 R
37. Employee benefit		
Defined contribution plan		
Post employment health care benefits		
Opening accrued liability	87,419,244	73,037,732
Current-service cost	1,506,446	1,178,586
Interest cost	7,301,883	6,508,913
Contributions made	(7,420,477)	(3,460,068)
Previously unrecognised liability	33,410,017	-
Previously recognised/liability not applicable	(7,976,149)	-
Revaluation gain/(loss)	12,739,341	10,154,081
	126,980,305	87,419,244
Annual expense/ (total)	39,561,061	-

Key assumptions used

Discount rate	8.70 %	8.54 %
Health care host inflation rate	7.91 %	7.24 %
Salary inflation	7.41 %	1.21 %

Key demographic assumptions

Average retirement age	63 for males, 63 for males, 60 for females 60 for females
Continuation of membership at retirement	90% 90%
Proportion assumed married at retirement	90% 90%
Mortality during employment	SA 85-90 SA 85-90 adjusted (Light) 3yr down for females deduction for females
Mortality post retirement	PA90-1ultimate PA90-1ultimate

Withdrawal from service (sample annual rates)

Age	Females	Males
20	24 %	16 %
25	18 %	12 %
30	15 %	10 %
35	10 %	8 %
40	6 %	6 %
45	4 %	4 %
50	2 %	2 %

The projections assume that the municipality's health care arrangements & subsidy policy will remain as outlined and that no contributions are made by the municipality towards prefunding its liability via an off-balance sheet vehicle.

Contributions or benefits paid refer to medical scheme contributions made by the municipality with respect to its subsidy of current continuation members. There are no past service costs, curtailments or settlements to reflect.

Long service awards (LSA)

Opening accrued liability	52,508,155	39,344,777
Current-service cost	5,680,466	4,208,176
Interest cost	3,293,773	2,965,863
Leave/Gifts cashed in	(7,244,886)	(4,830,036)
Actuarial (loss) / gain	4,925,753	10,819,378

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the annual financial statements

	2012 R	2011 R
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37. Employee benefit (continued)

59,163,261	52,508,158
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The projected unit credit method has been used in the actuarial valuation of the liabilities. The Matlotlo Group Pty (Ltd) company was appointed to perform the actuarial evaluation.

Key assumptions

Discount rate	8.11%	7.66%
Future salary inflation rate per annum	7.20%	6.24%
Future gift rand amount inflation rate per annum	6.95%	6.24%

Key demographic assumption

Average retirement age

63 for males, 63 for males,
60 for females 60 for females

Mortality during employment

SA 85-90 SA 85-90
3 yr reduction adjusted for females
for females

Withdrawal from service (sample annual rates)

Age	Females	Males
20	24 %	16 %
25	12 %	18 %
30	15 %	10 %
35	8 %	10 %
40	6 %	6 %
45	4 %	4 %
50	2 %	2 %

The projections assume that the LSA arrangements will remain as outlined and that all the actuarial assumptions made are borne out of practice. In addition, it is assumed that no contributions are made by the employer towards prefunding its liability via an off-balance sheet vehicle. There are no past service costs, curtailments or settlements to reflect.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the annual financial statements

			2012 R	2011 R
38. Deviation from supply chain management regulations				
Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.				
Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.				
Deviation	Description	Reason	Amount	
1	Electrical failure of transformer 3 NW7 substation	Urgent repairs of transformer 3 NW7 substation (Baymont Field Service to do an electrical test)	41,040	
2	Electrical failure of transformer 3 NW7 substation	Urgent repairs of transformer 3 NW7 substation (Gravis High Voltage Technology to open the transformer, drain the oil and do a physical inspection whether repairs could be done on site or not)	204,877	
3	Electrical failure of transformer 3 NW7 substation	Urgent repairs of transformer 3 NW7 substation (Test a relay to replace and install two battery charger units and repair damaged ampere meters)	130,679	
4	Electrical failure of transformer 3 NW7 substation	Urgent repairs of transformer 3 NW7 substation (Verotest to test and locate the 11KV cables for high resistance faults)	51,123	
5	Electrical failure of transformer 3 NW7 substation	Urgent repairs of transformer 3 NW7 substation (Dotcom Trading 318 (Pty) Ltd to replace 11KV current transformers as well as to service 11KV breakers and supply oil	63,384	
6	Urgent replacement of 33Kv 1600 amp circuit breaker on transformer 2 with a 44Kv 2500 Amp circuit break at the Dav Steel substation	Urgent replacement of electrical circuit break	471,504	
7	Supply and installation of security access control equipment for head office and Trust Bank building	Urgent security measures implemented due to incidence of robbery on the 5 July 2011 at rates hall at head office and to protect Council assets and employees and members of the public visiting offices	932,952	
8	Repairs to vandalised switch gear panels at Tshepiso North extension 3 Substation	Urgent repairs of five electrical switchgear panels	311,612	
9	Library books detection	Sole Supplier	1,975,000	
10	Urgent procurement of the following stock items: 315 Kva minisub station, 500 Kva mini substation, 200Kva transformers, 100 Kva transformers, 50Kva transformers	Urgent procurement due to shortage of stock items and maintenance	956,070	
11	Urgent procurement of the following stock item: 50Kva transformers	Urgent procurement due to shortage of stock items and maintenance	70,500	
12	Supply and delivery of 1000 EPWP overalls	Urgent procurement of EPWP overalls	383,000	
13	Supply and delivery of 1000 water meters brass 15mm for Metsi store	Urgent procurement due to shortage of stock items and maintenance	653,829	
14	Supply and delivery of 200 water meters brass 20mm, 200 brass gate valve 15mm and 200 brass gate valve 20mm for Metsi store.	Urgent procurement due to shortage of stock items and maintenance	280,577	
15	Proposal of materiality legislative compliance framework	Urgent procurement due to Auditor General findings to be addressed	300,000	
16	Proposal for the production of a system of delegations	Training of additional staff and interns to use Intenda Computer System	199,808	

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the annual financial statements

	2012 R	2011 R
38. Deviation from supply chain management regulations (continued)	-	7,025,955

The above services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

39. Auditors' remuneration

Fees	5,643,727	5,789,485
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40. Investment property

	2012			2011		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	976,667,000	-	976,667,000	975,732,000	-	975,732,000

Reconciliation of investment property - 2012

	Opening balance	Transfers	Total
Investment property	975,732,000	935,000	976,667,000

Reconciliation of investment property - 2011

	Opening balance	Additions	Fair value adjustments	Total
Investment property	964,557,000	1,373,000	9,802,000	975,732,000

No amounts were expensed towards repairs and maintenance costs for income regenerating investment properties

Details of investment properties are included in a register containing the information required by section 63 of the Municipal Finance Management Act and is available for inspection at the registered office of the municipality

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the annual financial statements

Figures in Rand

41. Statement of comparative and actual information

2012

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance							
Property rates	343,684,023	343,684,023	343,684,023	351,966,028	(8,282,005)	102 %	102 %
Service charges	2,316,954,245	2,365,230,323	2,365,230,323	2,201,818,620	163,411,703	93 %	95 %
Investment revenue	33,309,052	33,309,052	33,309,052	37,678,668	(4,369,616)	113 %	113 %
Transfers recognised - operational	700,812,713	735,717,177	735,717,177	727,993,273	7,723,904	99 %	104 %
Other own revenue	271,142,336	296,735,894	296,735,894	266,670,819	30,065,075	90 %	98 %
Total revenue (excluding capital transfers and contributions)	3,665,902,369	3,774,676,469	3,774,676,469	3,586,127,408	188,549,061	95 %	98 %
Employee costs	(695,521,572)	(708,238,820)	(708,238,820)	(722,713,867)	14,475,047	102 %	104 %
Remuneration of councillors	(25,420,831)	(25,302,739)	(25,302,739)	(25,133,151)	(169,588)	99 %	99 %
Debt impairment	(598,605,911)	(657,790,196)	(657,790,196)	(314,129,108)	(343,661,088)	48 %	52 %
Depreciation and asset impairment	(129,690,675)	(129,684,958)	(129,684,958)	(509,869,531)	380,184,573	393 %	393 %
Finance charges	(20,246,139)	(19,106,888)	(19,106,888)	(19,106,887)	(1)	100 %	94 %
Materials and bulk purchases	(1,449,491,589)	(1,567,995,957)	(1,567,995,957)	(1,574,330,647)	6,334,690	100 %	109 %
Transfers and grants	(10,866,881)	(1,278,825)	(1,278,825)	(18,239,072)	16,960,247	1,426 %	168 %
Other expenditure	(736,058,771)	(665,278,086)	(665,278,086)	(635,562,551)	(29,715,535)	96 %	86 %
Total expenditure	[3,665,902,369]	[3,774,676,469]	[3,774,676,469]	[3,819,084,814]	44,408,345	101 %	104 %
Surplus/(Deficit) for the year	-	-	-	(232,957,406)	232,957,406	DIV/0 %	DIV/0 %

Emfuleni Local Municipality
Annual Financial Statements for the year ended 30 June 2012

Notes to the annual financial statements

Figures in Rand

41. Statement of comparative and actual information (continued)

Cash flows

	Original budget	Budget adjustments (i.e. s28 and s31 of the MIFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Net cash from (used) operating	373,014	337,400	337,400	272,432,197	(272,094,797)	80,745 %	73,035 %
Net cash from (used) investing	(303,246)	(364,370)	(364,370)	(190,765,512)	190,401,142	52,355 %	62,908 %
Net cash from (used) financing	(21,265)	(21,265)	(21,265)	(78,647,463)	78,626,198	369,845 %	369,845 %
Net increase/(decrease) in cash and cash equivalents	48,503	(48,235)	(48,235)	3,019,222	(3,067,457)	(6,259)%	6,225 %
Cash and cash equivalents at year end	436,262	339,523	339,523	127,785,786	(127,446,263)	37,637 %	29,291 %

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the annual financial statements

	2012 R	2011 R
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42. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- IAS 32 Financial Instruments: Presentation withdrawn
- IAS 39 Financial Instruments: Recognition and measurement withdrawn
- IFRS 7 Financial Instruments: Disclosures withdrawn
- IAS 19 Employee benefits withdrawn
- Formulated a policy within accounting policies of the AFS for financial instruments based on GRAP 104
- Formulated a policy within accounting policies of the AFS for impairments based on GRAP 21 and GRAP 26
- Formulated a policy within accounting policies of the AFS for employee benefits based on GRAP 25
- Formulated a policy within accounting policies of the AFS for non-exchange transactions based on GRAP 23

Trade Receivables

In the prior year i.e. 2011 AFS, "Trade and other receivables from exchange transactions" were reflected as "Consumer Debtors". The change in terminology was necessary in order to align with GRAP and with the accounting policies.

2010/2011:

- "Trade and other receivables from non-exchange transactions" reflected an amount of R72 883 216.
- "Consumer Debtors" reflected an amount of R204 307 556
- The total "receivable" amount reflected in the 2011 AFS therefore amounted to R277 190 772.

2011/2012 Comparative amounts

- "Trade and other receivables from exchange transactions" reflect an amount of R72 883 216
- "Trade and other receivables from non-exchange transactions" reflect an amount of R204 307 556
- "The total 'receivable' amount reflected in the 2011 AFS therefore amounts to R277 190 772.

In the 2011 AFS "Trade and other receivables from non-exchange transactions" only included accrued income and other debtors. In the 2012 AFS "Trade and other receivables from non-exchange transactions" includes the above categories of "receivables", plus property rates "Trade and other receivables from non-exchange transactions". These property rates were previously disclosed under "consumer debtors" within note 3 of the 2011 AFS.

Investments

In the prior year i.e. 2011 AFS, Investments were reflected in current and non-current asset .

2010/2011

- Non-current assets reflected an amount of R1 864 831 627.
- Current assets reflected an amount of R443 493 913
- Total amount reflected in 2011 AFS therefore amounts to R2 308 325 540.

2011/2012 Comparative amounts

- Non-current assets reflected an amount of R1 864 831 627
- Current assets reflected an amount of R443 493 913
- Total amount reflected in 2011 AFS therefore amounts to R2 308 325 540.

In the 2011 AFS "Non-current assets included investments of R55 000. In the 2012 AFS "current assets include the original amount disclosed for investments (R106 269 517) plus the R55 000 previously disclosed under non-current assets.

Notes to the annual financial statements

Figures in Rand

43. Intangible assets

	2012		2011	
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation
Computer software	20,385,047	(12,602,275)	7,782,772	23,786,865
				(10,953,716)
				12,833,149

Reconciliation of intangible assets - 2012

	Opening balance	AUC Transfers	Disposals	Depreciation	Total
Computer software	12,833,149	131,578	(1,338,852)	(3,843,103)	7,782,772

Reconciliation of intangible assets - 2011

	Opening balance	Additions	AUC Transfers	Disposals	Donated and newly identified assets	Transfers	Depreciation	Total
Computer software	17,037,163	93,822	70,244	(7,566)	2,144,494	(2,346,620)	(4,158,388)	12,833,149

Description

	Balance as previously stated i/o 2011 movements	Correction of error	Total
Additions	93,822	-	93,822
Disposals	(5,508)	(2,058)	(7,566)
Donated and newly identified assets	-	2,144,494	2,144,494
Depreciation	(2,556,671)	(1,601,717)	(4,158,388)
Transfers	(1,414,280)	(932,340)	(2,346,620)

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the annual financial statements

	2012 R	2011 R	
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43. Intangible assets (continued)			
AUC Transfers	70,244	-	
	(3,812,393)	(4,204,014)	
Description	Opening balance	Correction of error	Total
Intangible assets	5,450,816	7,382,333	12,833,149

Computer software are infinite in nature and are amortised over a period of 5 years.

Schedule of external loans as at 30 June 20

Loan Number	Redeemable	Balance at 30 June 2011 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2012 Rand
Development Bank of South Africa					
DBSA Loan (11.81%)	101731 31.12.2012	5,299,518	-	3,429,184	1,870,334
DBSA Loan (15.74%)	13554/101 30.09.2020	21,545,405	-	1,089,865	20,455,540
DBSA Loan at 3 months reset	13959/101 31.03.2017	11,575,304	-	1,929,217	9,646,087
DBSA Loan (13.56%)	12624/101 30.06.2012	50,803	-	50,803	-
DBSA Loan (13.56%)	12625/101 30.06.2014	60,698	-	17,628	43,070
DBSA Loan (16.67%)	13012/101 31.12.2011	10,512	-	10,512	-
DBSA Loan (15.26%)	13014/101 31.12.2012	488,559	-	313,614	174,945
		39,030,799	-	6,840,823	32,189,976
Lease liability					
Mercedes Benz	30.09.2012	8,107,306	-	6,461,750	1,645,556
Scifin	01.12.2012	6,290,261	-	4,258,314	2,031,947
Standard Bank	01.12.2013	2,685,042	-	1,462,832	1,222,210
Man Finance	10.11.2012	15,303,452	-	10,387,356	4,916,096
Moipone group of companies	04.03.2014	5,861,571	-	1,795,168	4,066,403
Vaal Toyota	28.07.2013	22,998,275	9,843,574	22,525,869	10,315,980
Debis fleet	04.09.2011	1,912,829	-	1,912,829	-
Amasondo	18.07.2011	5,110,478	-	5,110,478	-
Fleet Africa (finance)	31.01.2014	9,002,692	18,735,527	27,738,219	-
		77,271,906	28,579,101	81,652,815	24,198,192
Total external loans					
Development Bank of South Africa		39,030,799	-	6,840,823	32,189,976
Lease liability		77,271,906	28,579,101	81,652,815	24,198,192
		116,302,705	28,579,101	88,493,638	56,388,168

Analysis of property, plant and equipment as at 30 June 2012
Accumulated depreciation

		Cost/Revaluation															
		Opening Balance	Additions	AUC released	Non assets and R&M written off	Newly identified assets	Disposals	Closing Balance	Opening Balance	Disposals	Non assets and R&M written off	Depreciation	Impairment loss	Closing Balance	Carrying value		
		Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings																	
Land	399,655,373	-	-	1,377,315	-	-	-	401,032,688	-	-	-	-	-	-	401,032,688		
Non residential structures	289,066,687	26,060	-	1,598,188	-	8,229	-	290,701,164	(39,844,250)	-	-	(15,052,077)	(1,200)	(54,897,527)	235,803,637		
Dwellings	494,650,105	-	-	14,122,685	-	-	-	508,772,790	(90,172,043)	-	-	(30,449,640)	-	(120,621,683)	388,151,107		
	1,183,374,165	26,060	17,099,188	-	-	8,229	-	1,200,506,642	(130,016,293)	-	-	(45,501,717)	(1,200)	(175,519,210)	1,024,987,432		
Infrastructure																	
Electricity	2,139,478,173	-	-	28,297,997	-	-	-	2,167,776,170	(243,722,904)	-	-	(84,502,499)	-	(328,225,403)	1,839,550,767		
Roads	5,696,994,598	-	-	5,239,881	-	-	-	5,702,234,479	(742,282,996)	-	-	(256,459,150)	(3,594,297)	1,002,336,443	4,699,898,036		
Water	779,610,084	-	-	-	-	-	-	779,610,084	(78,485,359)	-	-	(28,298,878)	-	(106,784,237)	672,825,847		
Sewerage	960,596,273	-	-	27,681,262	-	-	-	988,237,535	(97,239,330)	-	-	(33,931,556)	(720)	(131,171,606)	857,065,929		
Solid waste disposal	105,273,383	2,150	-	-	-	-	-	105,275,533	(261,735)	-	-	(77,877)	-	(399,612)	104,935,921		
Cemeteries	16,823,902	-	-	-	-	-	-	16,823,902	(143,401)	-	-	(579,357)	-	(722,758)	16,101,144		
	9,698,736,413	2,150	61,219,140	-	-	-	-	9,759,957,703	(1,162,135,725)	-	-	(403,849,317)	(3,595,017)	1,569,580,059	8,190,377,644		

Emfuleni Local Municipality
Emfuleni Local Municipality
Appendix B

June 2012

Analysis of property, plant and equipment as at 30 June 2012
Cost/Revaluation

Accumulated depreciation

	Opening Balance		Additions		AUC released		Non assets and R&M written off		Newly identified assets		Disposals		Closing Balance		Opening Balance		Disposals		Non assets and R&M written off		Depreciation		Impairment loss		Closing Balance		Carrying value		
	Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		
Heritage assets																													
Heritage asset	437,817	-	-	-	-	22,500	-	-	-	22,500	-	-	460,317	-	-	-	-	-	-	-	-	(437)	(600)	(1,037)	(1,037)	459,280			
	437,817	-	-	-	-	22,500	-	-	-	22,500	-	-	460,317	-	-	-	-	-	-	-	-	(437)	(600)	(1,037)	(1,037)	459,280			
Other assets																													
Machinery and equipment	74,209,087	2,909,280	-	-	-	360,693	-	-	-	360,693	(4,660,366)	72,818,704	(33,027,264)	3,226,129	-	(8,767,014)	(629,049)	(39,197,198)	-	-	-	(8,767,014)	(629,049)	(39,197,198)	33,621,506				
Furniture and office equipment	33,338,016	854,703	-	-	-	1,330,477	-	-	-	1,330,477	(1,592,299)	33,930,897	(15,047,961)	1,305,450	-	(4,185,730)	(246,990)	(18,175,231)	-	-	-	(4,185,730)	(246,990)	(18,175,231)	15,755,666				
Computer equipment	18,316,369	1,344,941	-	-	-	90,970	-	-	-	90,970	(1,117,686)	18,634,594	(9,618,162)	862,087	-	(2,651,986)	(93,022)	(11,501,083)	-	-	-	(2,651,986)	(93,022)	(11,501,083)	7,133,511				
Transport assets	47,065,428	4,497	-	-	-	-	-	-	-	-	(362,565)	46,707,360	(21,373,429)	67,771	-	(4,409,365)	(61,270)	(25,776,293)	-	-	-	(4,409,365)	(61,270)	(25,776,293)	20,931,067				
Finance leased assets	198,221,633	-	-	-	-	-	-	-	-	-	-	198,221,633	(71,920,817)	-	-	(30,403,521)	(619,927)	(102,944,265)	-	-	-	(30,403,521)	(619,927)	(102,944,265)	95,277,368				
Library books	34,957,079	70,225	-	-	-	586,161	-	-	-	586,161	-	35,613,465	(23,748,172)	-	-	(1,229,712)	(5,186)	(24,983,070)	-	-	-	(1,229,712)	(5,186)	(24,983,070)	10,630,395				
	406,107,622	5,183,646	-	-	-	2,368,301	-	-	-	2,368,301	(7,732,916)	405,926,653	(174,735,805)	5,461,437	-	(51,647,328)	(1,655,444)	(222,577,140)	-	-	-	(51,647,328)	(1,655,444)	(222,577,140)	183,349,513				
Total property plant and equipment	1,288,656,017	5,211,856	78,317,328	-	-	2,399,030	-	-	-	2,399,030	(7,732,916)	1,366,851,315	1,466,887,823	5,461,437	-	(500,998,799)	(5,252,261)	1,967,677,446	-	-	-	(500,998,799)	(5,252,261)	1,967,677,446	9,399,173,869				
Assets under construction																													
Assets under construction	117,433,251	170,108,655	(62,948,907)	-	-	-	-	-	-	-	-	224,592,999	-	-	-	-	-	-	-	-	-	-	-	-	-	224,592,999			
	117,433,251	170,108,655	(62,948,907)	-	-	-	-	-	-	-	-	224,592,999	-	-	-	-	-	-	-	-	-	-	-	-	-	224,592,999			
Intangible assets																													
Computer software	23,786,865	-	131,578	-	-	-	-	-	-	-	(3,533,396)	20,385,047	(10,953,716)	2,194,544	-	(3,843,103)	-	(12,602,275)	-	-	-	(3,843,103)	-	(25,204,550)	7,782,772				
	23,786,865	-	131,578	-	-	-	-	-	-	-	(3,533,396)	20,385,047	(10,953,716)	2,194,544	-	(3,843,103)	-	(12,602,275)	-	-	-	(3,843,103)	-	(25,204,550)	7,782,772				
Finance leased assets																													
Total	1,429,876,133	175,320,511	15,499,999	-	-	2,399,030	-	-	-	2,399,030	(11,266,312)	1,611,829,361	1,477,841,539	7,655,981	-	(504,841,902)	(5,252,261)	1,992,881,996	-	-	-	(504,841,902)	(5,252,261)	1,992,881,996	9,631,549,640				
Land and buildings	1,183,374,165	26,060	17,098,188	-	-	8,229	-	-	-	8,229	-	1,200,506,642	(130,016,293)	-	-	(45,501,717)	(1,200)	(175,519,210)	1,024,987,432	-	-	(45,501,717)	(1,200)	(175,519,210)	1,024,987,432				
Infrastructure	9,696,756,413	2,150	61,219,140	-	-	-	-	-	-	-	-	9,759,987,703	(1,162,135,725)	-	-	(403,649,317)	(3,595,017)	(1,569,580,059)	8,190,377,644	-	-	(403,649,317)	(3,595,017)	(1,569,580,059)	8,190,377,644				
Heritage assets	437,817	-	-	-	-	22,500	-	-	-	22,500	-	460,317	(9,618,162)	-	-	(437)	(600)	(1,037)	459,280	-	-	(437)	(600)	(1,037)	459,280				
Other assets	406,107,622	5,183,646	-	-	-	2,368,301	-	-	-	2,368,301	(7,732,916)	405,926,653	(174,735,805)	5,461,437	-	(51,647,328)	(1,655,444)	(222,577,140)	-	-	-	(51,647,328)	(1,655,444)	(222,577,140)	183,349,513				
Assets under construction	117,433,251	170,108,655	(62,948,907)	-	-	-	-	-	-	-	-	224,592,999	-	-	-	-	-	-	224,592,999	-	-	-	-	-	-	224,592,999			
Intangible assets	23,786,865	-	131,578	-	-	-	-	-	-	-	(3,533,396)	20,385,047	(10,953,716)	2,194,544	-	(3,843,103)	-	(12,602,275)	-	-	-	(3,843,103)	-	(25,204,550)	7,782,772				

June 2012

Segmental analysis of property, plant and equipment as at 30 June 2012

	Opening Balance	Additions	Disposals	Non assets and R&M	Newly identified assets	AUC released	Closing Balance	Opening Balance	Disposals	Non assets and R&M	Depreciation	Impairment deficit	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Municipality														
Executive mayor	1,924,576	3,615	-	-	28,217	-	1,956,408	(682,101)	-	-	(275,893)	(11,536)	(969,530)	986,878
Speaker	1,134,337	60,747	(1,750)	-	18,263	-	1,211,597	(429,773)	1,508	-	(168,769)	(2,263)	(599,297)	612,300
Mayoral committee	1,772,525	20,884	(5,315)	-	22,180	-	1,810,274	(567,803)	3,729	-	(220,922)	(13,334)	(798,330)	1,011,944
Council	20,492	-	-	-	-	-	20,492	(15,110)	-	-	(1,543)	-	(16,653)	3,839
Municipal manager	1,880,071	221,867	(132,788)	-	64,258	-	2,033,408	(712,198)	95,064	-	(297,418)	(515)	(915,068)	1,118,340
Financial services	2,007,514	142,585	(583,447)	-	24,830	-	1,597,482	(1,209,711)	465,446	-	(239,825)	(74,223)	(1,056,313)	533,169
Income	2,496,654	32,314	(6,400)	-	52,406	-	2,574,974	(1,362,820)	588	-	(301,808)	(8,499)	(1,667,655)	907,319
Debt collection	471,385	771	(683)	-	5,606	-	477,079	(220,418)	-	-	(58,936)	(2,126)	(280,892)	196,187
Expenditure	688,529	7,973	(2,542)	-	2,600	-	696,560	(382,335)	2,191	-	(82,587)	(31)	(462,763)	233,797
Financial control	1,777,615	102,692	(28,385)	-	20,844	-	1,872,766	(919,806)	13,662	-	(214,162)	(1,556)	(1,121,862)	750,904
Grants/Funds/provisions	14,167	-	-	-	1,404	-	15,571	(7,516)	-	-	(1,898)	(6)	(9,520)	6,051
Supply chain management	717,896	35,349	-	-	9,171	-	762,416	(393,273)	-	-	(93,194)	(54)	(486,521)	275,895
Support services	131,578	201,476	-	-	-	-	201,476	-	-	-	-	-	-	201,476
Human resources	1,418,160	11,340	(8,899)	-	58,094	-	1,478,695	(690,951)	6,901	-	(190,480)	(5,389)	(879,919)	598,776
Corporate services	15,060,374	22,367	(2,732,014)	-	17,582	-	12,368,309	(7,846,169)	2,080,774	-	(1,804,578)	(2,625)	(7,572,598)	4,795,711
Committee services	81,904	-	(50)	-	1,404	-	83,258	(33,647)	43	-	(12,072)	-	(45,676)	37,582
Auxiliary services	554,819	93,440	-	-	5,427	-	653,686	(203,995)	-	-	(69,879)	(1,091)	(294,965)	358,721
Information technology	5,339,130	1,151,732	(2,237,297)	-	1,077	-	4,254,642	(2,128,065)	1,233,080	-	(932,566)	(975)	(1,648,546)	2,406,056
Engineering services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water services	691,257	-	(2,819)	-	51,418	-	739,856	(314,770)	2,421	-	(86,910)	(48,333)	(447,592)	292,264
Sewer services	738,374	-	-	-	36,127	-	774,501	(290,931)	-	-	(122,077)	(784)	(413,792)	360,709
Electricity services	2,196,279,357	47,992,107	(10,183)	-	17,869	-	2,244,279,150	(247,462,912)	8,234	-	(86,094,513)	(1,281)	(333,550,472)	1,910,728,678
waste management	123,864,358	-	(320,341)	-	10,350	-	123,554,367	(1,422,051)	52,868	-	(536,568)	(1,146)	(1,506,997)	121,647,470
Landfill sites	2,607,399	11,764,090	-	-	-	-	14,371,489	-	-	-	-	-	-	14,371,489
Roads	5,713,017,830	36,905,189	(7,090)	-	133,792	-	5,750,049,721	(744,421,015)	5,885	-	(256,649,879)	(4,133,991)	(1,005,199,000)	4,744,850,721
Transport	276,881,007	2,412,281	(4,451,064)	-	106,987	-	274,949,211	(109,159,869)	3,157,342	-	(37,844,328)	(674,750)	(144,521,605)	130,427

Emfuleni Local Municipality
Appendix C
June 2012

Segmental analysis of property, plant and equipment as at 30 June 2012

[illegible]

Segmental Statement of Financial Performance for the year ended
Prior Year **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
409,110,772	102,803,547	306,307,225	Executive & Council/Mayor and Council	355,726,801	108,205,918	247,520,883
742,054,190	224,445,915	(482,391,725)	Finance & Admin/Finance	776,302,639	056,479,361	(280,176,722)
122,836	8,948,476	(8,825,640)	Planning and Development/Economic Development/Plan	161,369	10,478,453	(10,317,084)
41,567,561	54,315,699	(12,748,138)	Health/Clinics	43,017,566	52,823,856	(9,806,290)
13,973,543	53,435,716	(39,462,173)	Comm. & Social/Libraries and archives	7,376,170	35,520,132	(28,143,962)
5,043,191	16,578,355	(11,535,164)	Housing	8,754,619	18,990,715	(10,236,096)
18,058,294	117,298,017	(99,239,723)	Public Safety/Police	39,491,700	121,289,408	(81,797,708)
517,646	57,475,967	(56,958,321)	Sport and Recreation	44,492	63,375,323	(63,330,831)
293,614,866	190,594,764	103,020,102	Waste Water Management/Sewerage	312,740,066	305,785,555	6,954,511
-	91,617,894	(91,617,894)	Road Transport/Roads	-	81,926,781	(81,926,781)
438,721,277	378,524,846	60,196,431	Water/Water Distribution	510,661,696	437,757,080	72,904,616
219,360,343	024,568,432	194,791,911	Electricity /Electricity Distribution	449,431,430	206,822,123	242,609,307
359,213	6,075,044	(5,715,831)	Other/Air Transport	428,886	6,726,481	(6,297,595)
,182,503,732	,326,682,672	(144,178,940)		,504,137,434	,506,181,186	(2,043,752)
Municipal Owned Entities Other charges						
,182,503,732	,326,682,672	(144,178,940)	Municipality	,504,137,434	,506,181,186	(2,043,752)
,182,503,732	,326,682,672	(144,178,940)	Total	,504,137,434	,506,181,186	(2,043,752)